

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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APRIL, 1941

WASHINGTON . . . MODERNIZATION . . . LEGAL ANSWERS . . . BOOKS

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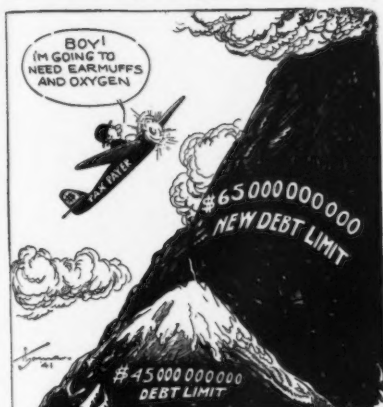
BANK _____

CITY _____ STATE _____

B4-41



JUST A MINUTE



Onward and Upward

April . . .

"In April Rome was founded, Shakespeare died;
The shot whose sound rang out from Concord town
And brought an avalanche of echoes down,
Shaking all thrones of tyranny and pride,
Was fired in April; Sumter far and wide
Lifted a voice the years will never drown;
'Twas April when they laid the martyr's crown

On Lincoln's brow."

SAMUEL VALENTINE COLE.

. . . And St. Louis

FRANKLY, we found that one with the aid of ye olde friend of editors (and others), Mr. Bartlett's "Quotations." To the catalogue of April events compiled by Mr. Cole we add, in matter-of-fact prose, that in this month also the first national consumer credit bank conference to be sponsored by the American Bankers Association takes place in St. Louis.

The dates are the 23rd through the 25th; the place is the Hotel Statler. There's a story about the program and the plans in this month's News Paper.

News

ONE DAY early in March the *New York Times* (and many other papers,
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BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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April 1941

1

Every Account

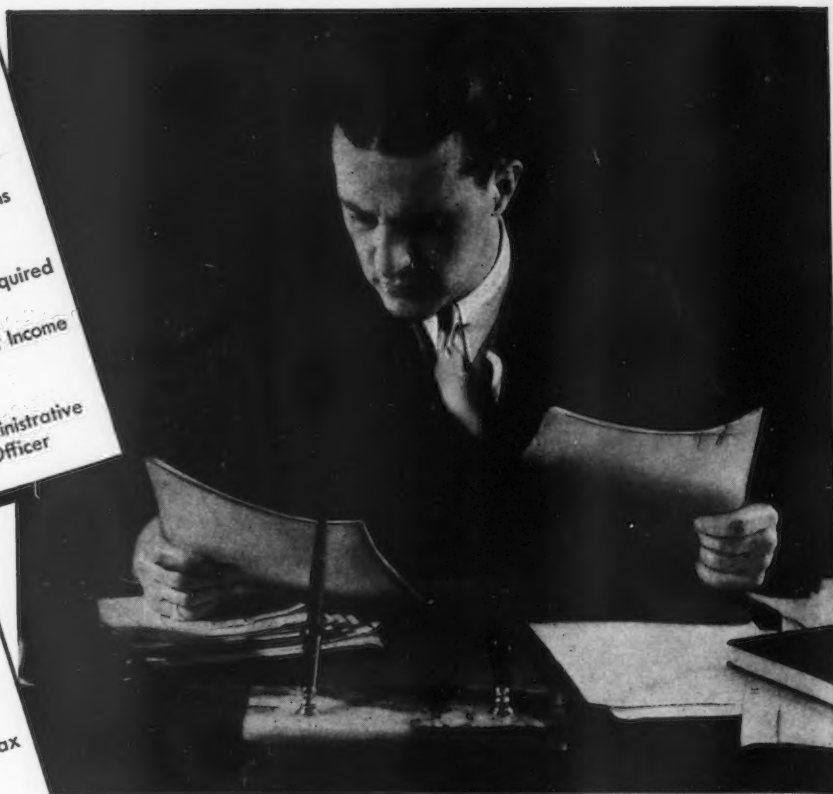
Title and Type
Authority to Act
Power to Re-invest
Retention Provisions
Whether or not
Revokable
Amortization required
Termination
Importance of Income
Tax Status
Fee Basis
Administrative
Officer

Every Security

Description
Rate
Maturity or Par
Income Dates
Callable Information
Industry Group
Income Tax Class
Personal Property Tax
Class
State of
Incorporation

Every Holding

Amount Held
Inventory Value
When and How
Acquired
Price Per Unit
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Income
Registration
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"Sidewalk Superintendents"

JUST A MINUTE—Continued

doubtless) gave five inches of valuable Page One to an Associated Press story from Pilottown, Louisiana, announcing the annual departure of the Winter colony of wild geese for their Summer nesting grounds on Baffin Island.

Flanked by dispatches concerning the Balkans and the lend-lease debate, this little report of a routine event in natural history was an oasis in the day's news. Amid war and rumors of war, it was refreshing to know that Nature was going serenely about her business, regardless of the messes men make of theirs.

Maybe the geese aren't such geese, after all.

Sidewalk Superintendents

As you can figure out for yourself, behind the fence in the above picture there rises an addition to the New York Savings Bank.

Now if there is one thing a New Yorker (native or adopted) really likes to do, it's to hover above an excavation and watch the steam shovels and drills gouge the rock ribs of Manhattan. Thus it follows that nothing irks a New Yorker more than a high board fence that robs him of this outdoor sport.

Recently, contractors, whether out of sympathy or a sense of good public relations, have taken to boring holes in these fences so as to permit the public to inspect the diggings to its heart's content.

The contractor who is putting up this new bank building is one of those kindhearted gentlemen. Notice the stagger arrangement of the holes to accommodate various eye levels of the curious public.

And in New York, as you'll see if you look close to the sidewalk, even the dogs are curious.

The president of the bank, WILLIAM G. GREEN, is chairman of the Savings

Bank Life Insurance Committee, Savings Banks Association of the State of New York.

"Even If the Ceilings Are Cracked"

THE OTHER day we had a letter from Dr. H. C. F. HOLGATE, whose article "England's Inflation Preventives" was published in February BANKING.

"Perhaps," he wrote, "you would find something interesting in the circumstances under which my article was written."

We did—and maybe you will also.

"If so," Dr. HOLGATE continued, "you have only to imagine an ordinary suburban villa which a giant has picked up and dropped, naturally shaking the structure in the process. That is what happens to our dwellings. But it is surprising how even the lady of the house, who was once so proud of her tidy home, gets used to seeing it look very second-hand. Having been married a long time now, I can still find something to admire in the so-called weaker sex."

"So my study is neatly arranged, always tidy, and the books stand sedately in their shelves, even if the ceilings are cracked and wrenched away from the party walls, and the tiles gape open on the roof. And banking here goes on as smoothly as I hope BANKING goes and will continue to go on in your great city!"

A Question on Overtime

H. U. SCOTT, cashier of the Monmouth Trust & Savings Bank, Monmouth, Illinois, writes that BANKING's recent articles on the wage-hour law had been "very informative and helpful" and that "except for their publication this bank would have paid overtime in excess of the required amount."

Mr. SCOTT also had a point he wanted cleared up. It was this:

(CONTINUED ON PAGE 5)

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Less frequently headlined, but also a necessary part of our protection, are blankets, drills, tent cloth, heavy shoes and thousands of other essentials—all vital to a fully prepared, fully equipped America.

Behind this gigantic effort a great army

of credit dollars is mobilized, assuring industry of sufficient funds to meet the demands of our huge national defense program. Today, credit answers this call to service at costs to the borrower lower than ever before in the nation’s history.

The Chase, in its relationships with correspondent banks throughout the country, is cooperating in vigorous measure in the financing of defense in its varied phases.

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JUST A MINUTE—Continued

"It is not yet clear to us what course to follow in the event that the 'stretch out' of hours worked in relation to weekly salary produced an hourly rate under 30 cents. A girl employee receiving \$60 per month and working 50 hours in an emergency would be a case in point. Obviously the system outlined would indicate an hourly rate of 28 cents and could not be used. The situation is by no means an improbable one and it is freely admitted that we do not know how to calculate the overtime payment due."

The Answer

BY COINCIDENCE, E. S. WOOLLEY, the bank analyst, who wrote the wages-hours articles, was in the office when Mr. SCOTT's letter arrived and we promptly turned it over to him. Here's what he said:

"You are correct in assuming that it would be impossible to use the regulations on the method of computing overtime on a fluctuating week basis unless the employee was receiving the minimum wage or more. Therefore, it would seem to us that under the example you cite, of a girl receiving \$60 a month and working 50 hours, the total number of hours to make 30 cents per hour could first be used and the excess over that would have to be paid for at 30 cents, plus 15 cents, or 45 cents per hour."

Thanks, Judge

THE ARTICLE "Directors and New Business", which graced our February

issue, was read "with interest and profit" by Judge WALTER B. JONES, editor of *The Alabama Lawyer*, official publication of the State Bar of Alabama, and a director in the Union Bank and Trust Company, Montgomery.

Judge JONES found the discussion so valuable that he thought it should have a larger circulation, and he asked permission to reprint it in his weekly column, "Off the Bench", published in the *Montgomery Advertiser*."

The author, MILTON WRIGHT, is covering aspects of the bank director's job in an extensive series, the material for which he gathered through contacts with bank executives and directors in various parts of the country. Another article, "Bank Directors and Investments", appears on page 25 of this issue.

"With the Best Wishes of . . ."

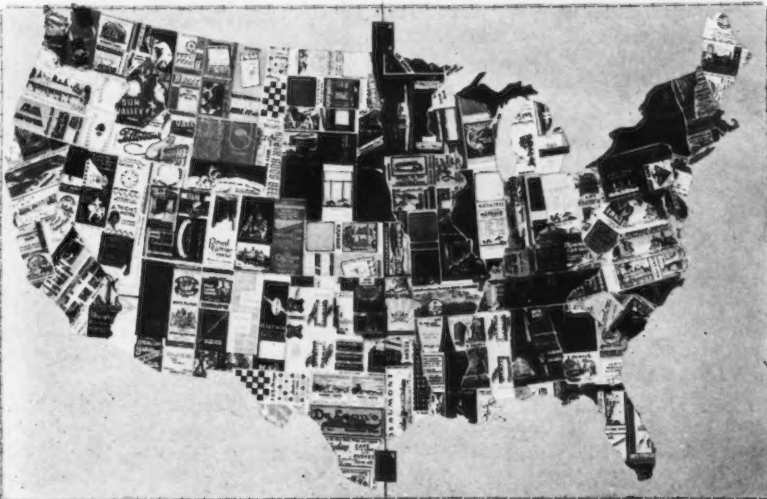
"Con los felices augurios del Banco Italiano, Lima," there arrived in BANKING's office a folder of prints of typical scenes and customs of 19th Century Lima. The prints, inspired by the water colors of the famous Peruvian artist, Pancho Fierro, apparently were prepared as a New Year greeting to the friends of Lima's Banco Italiano.

"There Were Ninety and Nine . . ."

A FRIEND WHO is now keeping an engagement with Uncle Sam contributes this military anecdote:

"An Army officer in charge of 500 men being moved by train from one post to another (a one day's trip) received \$50 to cover "liquid coffee"

Frank L. Chap of the Cleveland Trust Company has a collection of 15,000 match covers. Here are some of them—one from each state—arranged in map form and mounted on panels



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Name.....Title.....

Company.....

P.O.....State.....

money, 10 cents per day per man. That is customary where men are traveling and get the travel ration. They are allowed two cups of coffee a day if they can get them at a nickel apiece, or one for a dime, etc. You figure it out.

"Anyway, en route, one man went over the hill and the officer arrived with 499. Some weeks later he got an official letter from Washington pointing out that he had been issued liquid coffee money for 500 men and had delivered only 499, and where was the other man or the other dime.

"The officer knew he couldn't win, even though he explained that the deserter had had both cups of coffee before going A.W.O.L., so he wrote the proper answer, enclosed his check for 10 cents, and regarded the incident as closed.

"However, when his bank sent back the cancelled check it charged him another dime because the check was for less than a dollar."

Postscript

LAST MONTH this department reported on the service which the Macon office of the Citizens and Southern National Bank is rendering to the men who have been building Camp Macon, just outside the Georgia city. The bank is open on the evening of each pay day so that the workers—more than 3,000 of them—can cash their checks.

The volume of this business now amounts to more than a quarter of a million weekly, writes LEWIS F. GORDON, assistant vice-president of the bank.

"It proved to be a valuable piece of public relations work," he says, "in that the merchants in Macon, finding after the first week that the bank would continue this service, made arrangements to open their stores in the evenings.

"Quite naturally a considerable volume of business resulted, and since this was directly traceable to the action of the bank it built much good will for our bank among the merchants."

Birthday Cakes

For the ELLIOTT STATE BANK, Jacksonville, Illinois, which is celebrating "75 years of community banking."

For the UNITED STATES NATIONAL BANK of Portland, Oregon, 50 years old on February 9.

For the AMERICAN BANK of Port Clinton, Ohio, which on March 10 celebrated the 50th anniversary of its founding.

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SYSTEM . . .**

★ ★ ★ EDUCATION and research are the foundations of our system of free enterprise; if our American way of life is to survive, these foundations must be maintained and strengthened.

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For information on how you can help train the leaders of tomorrow — and link your name forever with educational progress — write RENSSELAER POLYTECHNIC INSTITUTE, Troy, New York.

A Message to Loan Officers

From a Successful Banker, speaking about his experience with **Inventory Loans**



**“ALMOST EVERY COMMODITY
AT SOME STATE OF ITS MANUFACTURE
PROVIDES AN EXCELLENT BASIS
FOR A FIELD WAREHOUSE LOAN
But USE ONLY THE BIG
FIELD WAREHOUSING COMPANY
OF PROVEN QUALITY”**

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Furniture
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Petroleum
Seeds
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Textiles
Wool



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Easton, Md.
428 South St.
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Garfield Bldg.
Rochester, N. Y.
Commerce Bldg.
Springfield, Mass.
76 Sunapee St.

Portland, Ore.
U. S. Nat'l Bank Bldg.
Dallas, Tex.
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Atlanta, Ga.
Hurt Bldg.
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Bank's name

Address

For attention of



The Condition of BUSINESS

THE OUTLOOK. The defense boom enters its second year with production figures rising, and a long way to go. The business is real enough but the profits are illusory, and under the circumstances have no more chance than a snowball. If the \$65,000,000,000 debt limit is not reached and passed this year, it will be because we cannot spend fast enough, and more and more from now on the upward trend in production will be guns, not butter, to use the familiar symbols.

MANY DOLLARS. The \$40,000,000,000 or so, either appropriated or soon to be available for defense purposes, has ceased to have any practical measuring value in judging the immediate business prospect, because it would take three or four years at the present rate of spending to use it up. The production of essential goods is being stepped up as fast as facilities and politicalities will permit and the current output of factories and power plants is just about double what it was in the bad Autumn of 1932.

PRIORITY AND CAPACITY. The necessity for priority ratings arises from limited capacities. The question with a sting is, of course, can there be any stopping point short of complete control all down the line, once the process gets started? It is a cardinal fact in the present outlook that hundreds of businesses classifiable as non-essential are exposed to serious curtailment as the priorities system develops.

Specifically, progress in the next few months depends largely on the changing status of capacities in these industries: aviation, automotive, chemical, steel, machine tools, railroad equipment, textiles and ship-building.

In *aviation* light plane manufacturers are working with one shift or a little better. The rest of the industry is operating on two or three shifts, depending on the availability of tools, propellers and engines.

In the *automotive* field output will increase as fast as new plants are finished. It is now operating at the top, 100 per cent. Military trucks are being produced at the rate of 13,000 per month and this figure will be almost double by the middle of next Summer.

The *chemical* industry has no immediate capacity problem. It is really a complex maze of various industries. Basically its capacity problem is one of skill in using raw materials.

In the *iron and steel* industry blast furnaces are operating 24 hours a day. The same is true of rolling mills. In the *machine tool* field output continues at record levels. Capacity is expanding, with some plants on a two-shift basis and others operating three shifts.

In the *railroad equipment* group car and locomotive builders are very busy on defense business, mostly tanks. The peacetime activities of the industry are going along at about half capacity, largely due to lack of orders and difficulty in getting raw materials. A few months ago locomotive builders could offer delivery in

three months. Now they need 12 or 13 months because they can't get the steel.

The *shipbuilding* industry is, of course, operating at the highest possible speed and its capacity is being increased as rapidly as possible.

In the *textile* field the most important item is cotton, and operations are at a capacity for two shifts. Rayon is operating at 24 hours daily.

PROBLEMS AND SENSE. It might be possible to summarize the four main practical problems of the moment as: (1) to spread the work by subcontracting, (2) to expand plant capacities by more construction, tools, men and hours, (3) to prevent strikes by courage and intelligence and (4) make doubly sure as we go along that by giving all-out aid to the friends of democracy across the ocean we do not give all-out aid to the friends of something else here.

The two chief reasons for encouragement are: (1) the rise *thus far* has been orderly and self controlled; (2) national unity of effort is certain to be attained because the country is increasingly unified in its demand for results, as measured by actual production figures.

SPREADING PRODUCTION. Efforts by defense authorities in cooperation with the banks, to bring 100,000 smaller concerns into the production picture is perhaps the most important single factor of the moment in both its immediate and longer effects on business.

Out of the first \$12,000,000,000 spent since last June \$9,800,000,000 represented orders to 600 firms while \$1,200,000,000 was divided among a few more than 12,000 firms.

CROSS INDEX. In *BANKING's* cross index of business trends this month a larger percentage of bank directors than ever before reported that the rise in business was due directly to the defense program. This figure has fluctuated since last August between 36 per cent and 73 per cent. The index is based on a poll of 3,000 bank directors and presidents in all parts of the country. When the rising volume of business first began a year ago very little was traceable directly to the defense program. In this month's poll 73 per cent of the directors and 26 per cent of the bank presidents reported that defense orders were a big factor. In other words, business in general is feeling the effects of the defense program far more sharply than are the banks.

The general trend of business is about the same as last month. Sixty-four per cent of those polled for the purpose of this summary said that the volume of activity is increasing, 28 per cent reported activity maintained and 8 per cent reported a decline. The month before 62 per cent said that the direction was up, 31 per cent reported that their respective enterprises were holding their own, and 7 per cent reported an unfavorable trend.

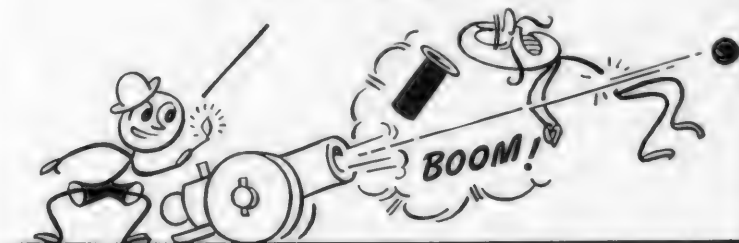
The composite cross index figure this month stands at 89, compared with 90 last month.

WILLIAM R. KUHN

BANKING

(Mr. Do-odle had the Answer:)

"Carrier's Weathermaker is PROVED!"



1.



Mr. Don'tle: "That's right—worry! You're not the only one who doesn't know what air conditioner to buy."

Mr. Do-odle: "How about the thousands who have bought Carrier Weathermakers?"



2.

Mr. Don'tle: "What's so extra good about Carrier?"

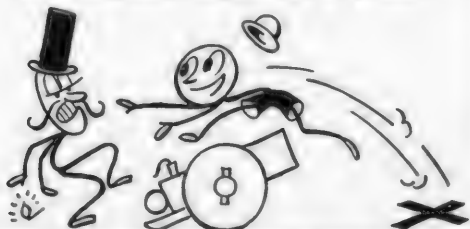
Mr. Do-odle: "For one thing, they're built by the company that developed air conditioning."



3.

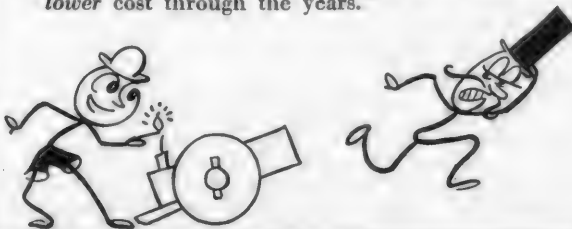
Mr. Don'tle: "Yes, but aren't all air conditioners pretty much the same?"

Mr. Do-odle: "No. Carrier Weathermakers are completely engineered as a unit."



4.

Mr. Do-odle: "They are built and tested at the Carrier factory — no hodge-podge of assembled parts. What's more, Carrier's Weathermaker is *proved* . . . with 21 PLUS FEATURES that mean *more* air conditioning at *lower* cost through the years."



21 BIG PLUS FEATURES— you'll find in every Carrier Weathermaker. Including (1) Space-saving compactness . . . (2) Money-saving Sub-Cooler . . . (3) 5-Way Air Distribution . . . (4) Oversized Filters for cleaner air . . . (5) Greater cooling at less cost . . . (6) 340 inspections and tests of parts, to insure dependability. Furthermore, you have a choice of 8 sizes to fit your space exactly. For full information including prices send in coupon.

Installations Made Immediately!



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"Weather Makers to the World"
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The National Prospect



HERBERT M. BRATTER reports Washington news for BANKING each month.

Washington, D. C.

Defense financing ready

COMMENCING May 1 there will be on sale at the Treasury, Reserve banks, post offices and, most likely, commercial and savings banks, three kinds of non-transferable defense savings bonds, as well as defense savings stamps convertible into bonds. In launching its campaign the Treasury seeks to avoid the errors of the Liberty Loan "drives" of World War I.

Replacing the present "baby bonds" will be a new, but similar, defense savings bond, selling on a discount basis to yield 2.9 per cent to maturity. It will be in denominations of \$25, \$50, \$100, \$500, and \$1,000. There are two points of difference between it and the present savings bond which is discontinued as of May 1. The redemption value will be on an accelerated scale, thus making retention attractive. Also, the amount available to a single individual in a year will be limited to \$5,000 maturity value instead of \$10,000.

For larger individual investors, trustees, reserve funds, corporations, etc., two series of 12-year savings bonds will be offered. The "F" issue will be a discount security offered at 74 per cent of maturity value, to yield 2.53 per cent. The "G" bond will bear 2.5 per cent interest payable semi-annually by check. Denominations are \$100, \$500, \$1,000, \$5,000 and \$10,000. No investor in any year can buy more than \$50,000 (cost value) of F or G bonds, separately or together. After six months from issuance both series are redeemable on 30 days' notice at stated values.

During the Liberty Bond campaigns high-pressure selling methods produced results, but when bonds were sold in volume by their original buyers, prices collapsed.

Today the Treasury intends to avoid such sales methods, Secretary MORGENTHAU has stated. Moreover, the price of the new bonds cannot depart from the values printed on each bond. Also, there can be no trading in them, for they are not transferable.

To head up the Treasury's contacts with the nation's banks in connection with the program, Mr. MORGENTHAU has appointed B. M. EDWARDS, president of the South Carolina National Bank, Charleston. Mr. EDWARDS, who has the title Assistant to the Secretary, will have headquarters at Charleston.

A pledge of cooperation

COOPERATION OF the banks in distributing defense obligations was pledged by President HOUSTON of the American Bankers Association at the New York banking conference early in March.

"I know," he said, "that we will do in this field of activity as good a job as we have done and are doing in defense financing."

The Banks Offer Aid

AT THE recent Louisville Banking Conference the following resolution was adopted:

"Since the success of the National Defense Program now under way will rest upon the support of all the people, be it resolved that the members of the American Bankers Association in attendance at this Conference support the plan announced by the Secretary of the Treasury for the sale of defense Savings Bonds to the public at large, and pledge their assistance and the use of their facilities in carrying out this plan."

The Deputy Comptroller's views

DEPUTY COMPTROLLER of the Currency C. P. UPHAM expressed himself frankly in a recent speech. Neither

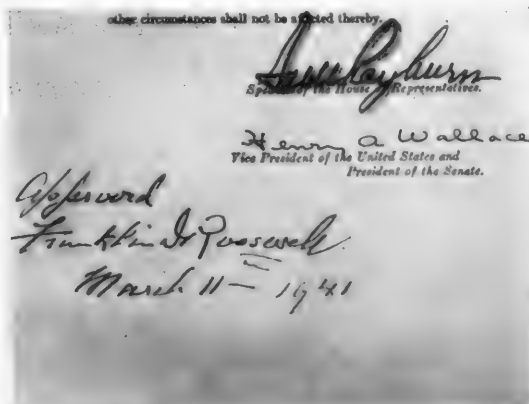
(CONTINUED ON PAGE 12)

MARCH 11, 1941

History-making H.R.1776 becomes the law of the land



INTERNATIONAL NEWS PHOTO



HARRIS & EWING
BANKING

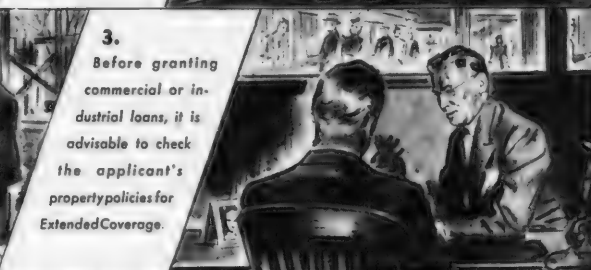
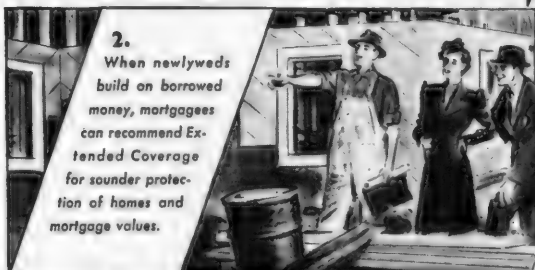
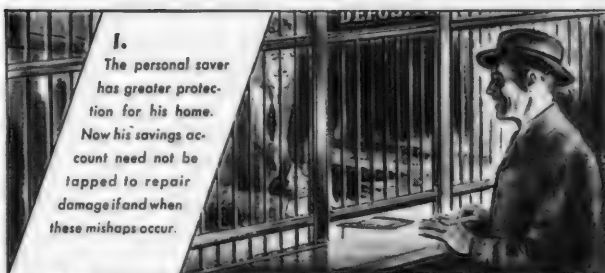


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NATIONAL PROSPECT—Cont.

the National Banking Act, the Federal Reserve Act, or the FDIC statute have given us a national banking system, but at most a system of national banks, he held. Reason: non-national banks have been "politically strong".

A single banking system, stated Mr. UPHAM, requires that all banks be chartered, examined, and supervised by the Federal Government. But monetary control can be secured without the elimination of state banks.

Mr. UPHAM would liberalize the branch banking laws to remove certain disadvantages now applying to national banks as against state banks. He would authorize branches at Army and Navy posts. Also, he would make certain concessions in FDIC assessments on national banks to compensate for the present system under which "national banks are contributing substantially to the free examinations given to state bank members [of the Federal Reserve System]".

In other words, national banks would have each year one examination for which they would not pay.

Ask "Chic"

JUST BEFORE he holds his press conferences Secretary MORGENTHAU calls in an unassuming and friendly young man of 36 to find out how the press is likely to react to what he intends to say. CHARLES SCHWARZ—"Chic" to the pressroom boys,—heads the Secretary's public relations and information staff. Over his desk pass the final drafts (CONTINUED ON PAGE 14)

William Averill Harriman, chairman of the Union Pacific Railroad, is in England as President Roosevelt's personal representative to expedite lend-lease aid to Britain



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BANKING



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Influences the Owner's *Ability* to Pay and
His *Willingness* to Pay. Consider This
New Note in Mortgage Risk Rating!

TODAY there's a new note in residential mortgage risk rating. It goes beyond land, title, and structure. It concerns **operating equipment** (wiring systems, heating plants, kitchen appliances, etc.) For what a house costs to **live in** has a direct bearing on the owner's ability to pay and his willingness to pay.

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GENERAL  ELECTRIC

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foreign made automotive vehicles.

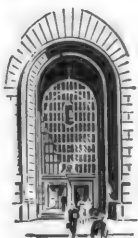
The business consists of investments in self-liquidating credits, widely diversified as to region and enterprise, capital employed being in excess of \$80,000,000.

In obtaining short term accommodation, GMAC issues one standard form of note. This obligation it offers to banks and institutions, in convenient maturities and denominations at current discount rates.



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NATIONAL PROSPECT—Cont.

\$2½-a-year-men

MANY of the so-called \$1-a-year men in OPM are working 16 or 17 hours a day. It seems they should get "time and a half for overtime", which would work out to something like \$2.50 a year.

of the department's press releases. To him and his staff come the newspapermen for "background" details.

SCHWARZ hails from Illinois. For 10 years he worked on the Chicago *Daily News*, then went to California. In 1935 HERBERT GASTON, then Mr. MORGENTHAU's press chief, was looking for an assistant and brought "Chic" to Washington. He entered upon his present duties after Mr. GASTON became Assistant Secretary of the Treasury in 1939.

If there is any Treasury release you don't understand, ask "Chic".

Warns on real estate loan

SEEING SIGNS of the beginnings of a speculative real estate boom, Chairman JOHN H. FAHEY of the Federal Home Loan Bank Board urges caution "against the evils of jerry building". In a recent statement Mr. FAHEY said: "It is of the utmost importance to every lending institution that its borrowers have a real incentive to maintain their mortgage payments at all times and that their equities be protected against losses resulting from deflation. . . . When standards of sound construction are brought more fully under control, it will be possible to afford better protection to lenders and at the same time give borrowers more favorable terms."

Distribution of tax-exempts

IN 1940 commercial banks were the largest holders of tax-exempt securities, with \$20.7 billions, or 37.8 per cent of the total privately-held amount outstanding, the Treasury reveals. Individuals held \$18.5 billions, or 33.8 per cent, of the total privately-held amount, followed by insurance companies, with \$8.2 billions, mutual savings banks with \$3.7 billions, corporations (other than banks and insurance companies) with \$2.4 billions, and tax-exempt institutions (other than mutual savings banks) with \$1.3 billions.

In 1937 individuals held more wholly or partially tax-exempts than any other group of holders. They still continue to be the largest holders of wholly tax-
(CONTINUED ON PAGE 16)

BANKING

GOOD READING

FOR THRIFTY AMERICANS

Some significant excerpts from the Northwestern Mutual's annual statement—significant to you in determining where to buy your next life insurance:

"An active management if frank with policyholders will—at the end of each year—give them the results for the year and the condition of the company; and frankness requires that they be given the unfavorable news as well as the favorable news."

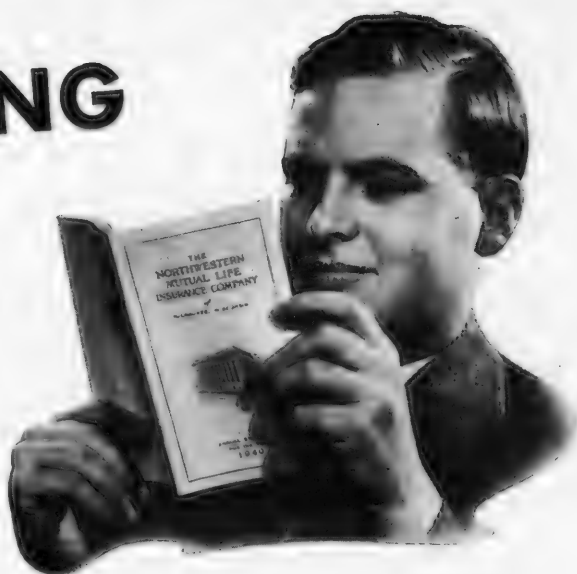
"Payments to policyholders and beneficiaries: \$108,149,861 . . . The continued upward trend in the practice of paying policy proceeds in income installments is one of the most significant developments of recent years . . . Ten years ago this company issued 38,191 checks annually" . . . on such installment settlements. "During 1940, a total of 193,291 checks for this purpose were issued . . . Northwestern Mutual agents are zealously bringing the company's facilities for income settlements to the attention of policyholders."

Terminations. "The amount of insurance voluntarily terminated by the policyholder during 1940 . . . was only 3.23% of the total in force at the beginning of the year. This was the smallest percentage in many years" and was a record in which The Northwestern Mutual is unsurpassed.

Bond Investments. "The market value of all bonds was \$827,020,902, or \$30,679,525 greater than the admitted asset value . . ."

"The bond account may, in our opinion, be viewed with satisfaction. The expanding industrial activity has been favorably reflected in earnings of the companies whose obligations we hold, and our security is hence of increasing value. The total admitted asset value (at market value) of all defaulted bonds is \$11,323,110, which is less than 1% (.883%) of total admitted assets."

Mortgage Loans. "Indicative of the improvement in the ability of the borrower to meet his obligations under mortgage loans is the fact that out of over 18,000 mortgage loans of all types now on the books of the company, there are but 70 foreclosures pending."



"Real Estate acquired through foreclosure and unsold . . . had an asset value of \$38,720,662 or 2.85% of assets."

"General Surplus or Contingency Reserves were . . . \$5,083,113 for mortgage loans and \$62,048,010.53 for general contingencies—an increase of \$9,844,781.53."

Interest. "The interest rate showed a further downward trend in 1940. The average net rate earned was 3.70%, or 3/100 of 1% lower than 1939 . . . Unsatisfactory as the rate of interest is, it is well to remember that it offers no threat to the solvency of life insurance companies."

Mortality. "6,547 death claims were received . . . Mortality experienced was satisfactory . . . All policies now in force have no war restrictions and require no extra premium."

Operating Expenses. "Taxes absorbed 2.6% and the salaries of 1,774 persons on the Home Office payroll amounted to 2.2% of the gross premiums. The company's total salary cost amounted to 73 cents per \$1000 of insurance in force."

Dividends. "Favorable mortality and economy of management have justified an aggregate allotment of \$33,400,000 for distribution in 1941."

Insurance in Force. 1,068,549 policies—the largest number in the company's history—for \$3,948,732,732. Admitted assets \$1,358,999,648—an all-time high.

"The Northwestern Mutual is a purely mutual company—there is not and never has been any capital stock ownership. It is an enterprise owned solely by the policyholders. Its business is and always has been the writing of standard, ordinary life insurance in which every applicant is medically examined and carefully checked on the factors of risk. It does not issue Substandard, Industrial, Group, Non-Medical, or other special plans."

For further information write for a copy of the complete Annual Report or consult with any Northwestern Mutual Agent.

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The average time required by us to collect \$121,000,000 of transit items in one week was 1.19 days.

The average time to collect the same business without the advantage of twenty-four-hour operation would have been 1.50 days.

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Ralph A. Bard, investment banker, has been named Assistant Secretary of the Navy

NATIONAL PROSPECT—Cont.

exempt securities. Throughout the three year period covered by the Treasury data, commercial banks were the largest holders of partially tax-exempt issues.

Of the \$54,800,000,000 of tax-exempt securities privately held, only \$23,600,000,000 were wholly tax-exempt on June 30, 1940.

"Farming out" and a postwar slump

SUBCONTRACTING, or the farming out of defense contracts, has two chief purposes. One is to save time in completing the contract. The other is to avoid housing, sanitary, social and other serious distortions, unnecessary migration or commuting of workers with attendant road congestion, and the like. "Distributing the gravy" is really not a prime object, even though it happens to be a result of farming out.

In the last half of 1940 roughly \$9,000,000,000 of defense contracts awarded involved only about 600 companies, while the remaining \$1,000,000,000 went to about 12,000 companies, as compared with 200,000 potential prime contractors in the United States. These are only approximate figures, but they illustrate the need for subcontracting. On a numerical basis, about half of the country's machine tools are idle or working less than eight hours a day,—this after nine months of active arming.

With full distribution of the defense production load, readjustment after the war will be much easier. Instead of waiting six months for a new plant to be built or new machinery to be delivered, with "farming out" we get to work right now. And, instead of having a

BANKING

Inflation

THE TREASURY prints the paper currency on distinctive paper costing 38¾ cents per pound. A year ago the price was only 36½ cents per pound. Can this be inflation?

postwar plant capacity capable of filling our peace-time needs for a decade, and perhaps depressed for five or six postwar years, we shall have been wearing out existing machines and creating a source of postwar demand for machinery, according to advocates of farming out.

Gleaned from hearings

FROM THE Treasury Department 1942 appropriation hearings we learn that:—

Three national banks are not insured by FDIC:—one in Hawaii and two in Alaska.

Insolvent banks under the Comptroller of the Currency numbered 235 in December 1940.

About 825 employees of the Comptroller's office are paid directly from assessments against active banks for examinations.

The Comptroller's office has no policy of bank consolidation, excepting occasionally when an institution in difficulties can be saved only in that manner.

In 1940 each month about 200,000 persons bought savings bonds.

National banks in 1940

ALTHOUGH the number of national banks declined slightly during 1940, from 5,193 to 5,150, their total assets increased from \$35,300,000,000 to \$39,700,000,000. Loans increased approximately 11 per cent, from about \$9,000,000,000 to \$10,000,000,000. Demand deposits were about \$14,900,000,000 at the beginning of the year, and \$17,900,000,000 at the end, the Comptroller reports.

Discrimination as to color

BY PRINTING air-mail stamps in only one color, rather than two, Congressman Ludlow recently stated, the government would save \$100,000 a year. So the Appropriations Committee recommended taking one of the colors out of the airmail stamp—which color was not stated.



YOUR CASHIER might be able to do business across a pine counter. But it contributes to the prestige of your bank when you dress it up with fixtures of proper impressiveness. It is also important that the checks you give your customers leave the right impression.

You can print your checks on any of the leading safety papers. But of them all, only one bears a name familiar to every business man. Only one is like an old friend to your depositors. That paper is Hammermill Safety.*

Your depositors know the Hammermill name . . . they have confidence in it. They use Hammermill papers in their business. They respect Hammermill quality. And they respect your judgment when you

furnish them checks on Hammermill Safety.

That is the "plus" value no other check paper can offer—the opportunity to harness for your bank the national prestige and good will of the best known name in paper.

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BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

APRIL 1941

How NOT to Pay for Defense

ALBERT W. ATWOOD

The author, a frequent contributor to BANKING, says that "... if the Government paid its expenses by issuing currency instead of borrowing it would in reality be making a forced loan, and free people have fought forced loans for centuries."

BECAUSE of the very nature of their work bankers have an unusually keen interest in seeing that national defense is financed as safely as possible. Nor is there any group which is more earnest in seeking answers to such questions as how high the national debt can go or how far taxes must be increased and non-defense expenses reduced to maintain the national credit.

But if this be so, cannot the bankers of the country help in finding a relatively easy way out of these embarrassing and harassing problems? Must future generations be forced to pay principal and interest on a debt of perhaps 100 billions? Must taxes be raised to the disheartening levels of Europe or of our own country during the Civil War? Must the social objectives and other supposedly beneficial activities of Government, other than defense, be crippled? Is there no simple, painless way to avoid these grievous burdens?

THE question is not a theoretical but an intensely practical one. Plain people write to their Senators and Congressmen for an answer. Members of Congress frequently raise the same question. The president of an Ohio bank has asked BANKING if it can be of help to him in providing an answer. "Among the big questions people ask me these days," he says, "in group gatherings or otherwise is the following: 'Why is it not right for the Government to issue bonds without interest, or just issue currency instead of borrowing?'"

The idea that the Government could save vast sums by issuing currency to pay its expenses, instead of borrowing, is not new, but it is very persistent. Its chief appeal, naturally, lies in the fact that the cost of interest is apparently saved. This is a very large sum, even when interest rates are extremely low. Even as low as $2\frac{1}{2}$ per cent, interest adds 25 per cent to a 10-year bond. If the maturity of the bond is longer and interest somewhat higher, the cost of borrowing may eventually be double the principal amount.

To those who most loudly advocate the issuance of currency in place of borrowing there seems to be something essentially evil in the payment of interest by the Government, and especially if it is paid to banks. "I say it was never intended that the Government should pay interest on its obligations," asserted Congressman Patman in a recent speech. "It is not required to do it; it is not necessary."

In 1934 Representative Patman wanted the bonus paid in currency. In 1936 Father Coughlin said the Union Party plan was to call in all government bonds and give the holders non-interest bearing currency. The late Arthur Brisbane was a strong supporter of similar ideas; he referred to borrowing by the Government at interest as "pawnbroker" finance. The late Thomas A. Edison toyed with similar theories.

OF course the idea takes different forms. One is to have a new kind of government bank which can borrow without interest; another is to have such a bank which will simply grant the Government credit on its books. Nor is it the depression only which brings forward these plans. Any large governmental expenditure can be expected to do so; the defense program is merely the latest exciting cause.

Now what is wrong with the idea that the Government can save vast sums by issuing currency instead of borrowing? The first thing wrong is that it mixes up and confuses two entirely different monetary needs. The need of the Treasury for funds to meet its expenses, and the needs of the country-at-large for currency and bank deposit dollars are two quite separate things, with no necessarily logical connection whatever, and if they are not kept separate there is danger of disrupting the delicate national monetary mechanism.

At present the circulation of money depends upon the needs of the public, reflected first in the demands of individual customers upon individual banks, and working up through the Federal Reserve banks and the Federal Reserve System. If all the Treasury had to do every time it wanted to pay for a new cantonment or a thousand airplanes was to print a lot of money, the initiative for an expansion or contraction of the currency would shift from the public at large, where it properly belongs, to the Government.

How America Financed Other Wars

1. War of 1812 was financed almost entirely by loans.

2. Civil War brought heavy income, profits and excise taxes to the North, but in addition borrowings amounted to \$2,600,000,000, consisting of \$1,044,600,000 long-term loans; \$890,300,000 interest-bearing notes; \$458,100,000 non-interest bearing notes, and \$207,700,000 temporary loans.

3. Direct costs of Spanish-American War were only about \$582,000,000, of which \$382,000,000 came out of additional taxes and \$200,000,000 from borrowing.

4. World War. If loans to the Allies are included, 32 per cent of the direct cost was met by increased taxes; or nearly 50 per cent if the loans are not included; the remainder by borrowing.

Costs of all these wars are very difficult to estimate, because to direct costs must be added subsequent pensions and interest on war debt. Cost of World War to United States at present time about 60 billions, or twice the direct cost of the war itself.

So the Government, if it is not to upset the monetary apple cart, must seek funds like any other organization which has to meet large expenditures; it must go to the people who have money to lend and strike a bargain. Several years ago John B. Hollister, then a member of the House Banking and Currency Committee and now a law partner of Senator Taft, remarked that even if the Government took over all the banks it would still be obliged to confine the issue of currency to the needs of industry, trade and agriculture.

In the second place, a very practical objection to issuing money in order to pay for government expenses is that bank reserves would be further increased even beyond their already excessive figure. This is because currency beyond what the public chooses to hold for cash transactions and for purposes of hoarding usually finds its way in course of time to the banks and increases bank reserves, which are then available for a multiple expansion of credit.

The public debt at the time of this writing is around 46 billions. Suppose the whole amount were paid off in currency and all the currency eventually found its way into the banks. Considering that the banks can lend seven dollars for every dollar of excess reserves, this tidy little addition to the excess reserves would serve as the basis for new loans of 322 billions, and such an astronomical stepping up of loans might lead to the wildest kind of inflation.

But there is a far more serious objection to the issuing of currency in place of borrowing than either of those already mentioned, important though they are. If gov-

ernmental needs can be financed without the payment of interest then there would seem to be no restraint upon extravagance. How could governments resist the temptation to provide the population which keeps them in office with everything that the more vocal elements demand, when there is no apparent cost in giving in?

In discussing the Public Debt Act of 1941, Representative Patman denied that this consideration holds any longer. He admitted that formerly there was a good and logical reason for issuing interest-bearing securities. "That reason was that if Congress got too extravagant," Patman said, "and people would not buy them (the securities); they would go down, and that would stop the extravagance. But that reason does not exist now, because the banks can take the bonds and put them up for 100 cents on the dollar. So there is a floor on the price of the bonds, and that reason does not exist."

But even granting the force of part of what Mr. Patman says, does any informed person, banker or otherwise, believe for one moment that the price of government bonds can never go down again or interest rates can never go up?

Over-borrowing still brings penalties. Even in government borrowing willing lenders must be found, the market must be respectfully treated and tested from time to time, contracts must be lived up to, obligations respected and confidence maintained.

The plain fact of the matter is that resort to currency issues in place of borrowing would indicate to many people not only an absence of restraint on the part of the Government but a suspicious, ill-omened inability to raise funds by other methods.

But that is by no means all. If the idea of issuing currency to pay for expenses is sound it would certainly have been adopted long ago. On the contrary, attempts in this direction during the French Revolution, the American Revolution, and in Germany, Austria and Russia after the World War, led to disaster.

It is absurd to suppose that sound, solvent nations

1917-1919

21½ billions of Liberty and Victory loans, with interest ranging from 3¼ to 4¼ per cent, were floated to help pay for World War I. Many readers remember or took part in the bond-selling campaigns



Forty-Third Congress of the United States of America;

At the Second Session,

Began said held at the City of Washington on Monday, the seventh day of December, one thousand eight hundred and seventy-four.

AN ACT

To provide for the resumption of specie payments.

1861-1865

By Act of Congress in 1862 non-interest bearing legal tender notes were authorized—the first time the Government had made anything but specie legal tender. *Left*, an Act passed in 1875 providing for resumption of specie did little to hasten specie payment but rather gave opportunity for more paper currency

have never adopted this simple, easy method of paying expenses merely because of the opposition of bankers. Bankers could no more have stood in the path of such a tremendous boon to mankind than they could have prevented the discovery of steam or of electricity.

Indeed these discoveries pale into insignificance before that of the use of currency to pay expenses. For if it were really what it purports to be, then labor and toil would have left the world; no one need work for a living any more; currency would obligingly take the place of work. Naturally taxation would be quite unnecessary, and one wonders why the great British statesmen of the past century and a half, expert in finance as so many of them were, never discovered the fact. What a boon it would have been to Britain for the past 40 years if taxation could have been abolished!

The proposal was recently made to the House Ways and Means Committee that defense be financed by having the Federal Reserve Board issue 16 billions in currency. Chairman Doughton asked an advocate of this scheme why, if it were sound, he did not propose paying off the entire national debt in the same manner.

"I would do that gradually . . . I would kind of feel my way," was the advocate's cautious reply. Which brought to the mind of another Congressman the story of Pat and Mike. Pat called to Mike, "Those are live wires; be careful." "Yes," said Mike, "I feel them very carefully before I take hold of them."

One reason why the wires are very hot is that if the Government paid its expenses by issuing currency instead of borrowing it would in reality be making a forced loan, and free peoples have fought forced loans for centuries. No

bargain would be struck, no element of voluntary cooperation would enter the picture. Additional currency would simply be given to those to whom the Government owed money and they would be compelled to take it.

The basic, the essential fallacy in the currency-instead-of-borrowing idea is that the Government can get something for nothing; in other words that the element of cost can be eliminated from human affairs.

It is not a choice of paying or not paying. All goods have to be paid for, but there are different methods. If interest-bearing bonds are sold, then taxes must be collected to pay the interest. Thus there is an immediate cost. To be sure, there is no immediate cost, if currency is issued. But the currency would be diluted, prices would go up and the cost would be met, not by the taxpayers, who have the ability to pay, but by the people in general through a rise in the cost of living.

For governments to borrow without paying interest is no more justified than it is for them to purchase goods from manufacturers for less than cost. The Government's refusal to pay interest merely spreads the cost over all goods, instead of centralizing it upon the goods which the Government is actually purchasing.

No, there is no simple or easy way to pay for national defense. Enormous borrowing, even when backed by enormous taxes, has its dangers. But in following such a course the country will, at least, be facing reality, as solvent nations have done for centuries.

Please turn to pages 33 and 34 for pictorial material pertaining to defense financing.

TREASURY DEPARTMENT. REGISTER'S OFFICE.

1846-1848

The Mexican War necessitated borrowing about 49 million. Loans of that period were placed at par or better, a contrast with the difficult financing of the War of 1812. *Right*, an old loan record page, now housed in the national archives, bears well-known American names

| LEADS FROM. | DEBITS. | LEADS FROM. | CREDITS. |
|-------------|-----------------------------|-------------|---|
| 35 | W of Loan act 25 Jan'y 1847 | 34 | Greecian & Riggs |
| 35 | W of Loan act 25 Jan'y 1847 | 35 | John C. Lane's share of the "Fitchburg Savings Institution" Pitts |
| 35 | W of Loan act 25 Jan'y 1847 | 35 | C. V. S. Roosevelt of Pitts |

When Main Street Renovates

ABNER H. FERGUSON

Mr. FERGUSON, the new Federal Housing Administrator, says in this article that the FHA is "proud of its record of business establishments which are doing bigger and better business" because they have brought their establishments up to date with the aid of insured loans. And he observes that "the bankers who have made the greatest success of Title I loans have been good salesmen."

WHEN BANKING asked for information in possession of the Federal Housing Administration concerning the effect of modernization on the revenues of business concerns, there was no doubt whatever in the minds of Title I officials that it has paid business concerns to modernize.

Under the first phase of Title I lending, modernization of industrial and commercial concerns was a major feature, and the FHA received a great number of letters from such concerns telling of increased business, ranging from "appreciable" on up. The average improvement was around 20 per cent.

Since such lending was resumed in February 1938, the ineligibility of machinery and equipment has restricted commercial and industrial loans considerably, and no special effort has been made to collect evidence concerning the value of commercial modernization. Accordingly, a spot check-up was decided upon to get some fresh information.

Just a block away from FHA headquarters in Washington is a small but aggressive bank. It has just finished enlarging and modernizing the entire building, especially its customer facilities on the ground floor. Improvements were paid for out of its own uninsured funds but were made necessary by increased business—partly FHA-insured modernization loans to business concerns.

An officer of this bank got out his file of FHA modernization loans on nearby business properties. One was for transformation of an old-fashioned pharmacy in the FHA block into a modern drug store. The amount was the maximum of \$2,500 and the date was December 1939. By February 1941 the borrowers had reduced the loan by \$1,000; and they say they wish they could figure out a way to even get more space for customers.

In the Summer of 1939 there was an old hotel in an adjoining block, going down hill fast. Bank officials tried to persuade the operator that modernization was his only salvation, but he gave up the struggle instead of fighting further. The new lessee did not try to reestablish the old hotel but got estimates on conversion of the structure into an office building. The cost was around \$7,000. The bank advanced a \$2,500 FHA-insured loan and an additional \$5,000 uninsured, but on the monthly instalment plan. Improvements were made, the transformed building leased to one tenant—with exception of the ground-floor stores—and both loans are being reduced by monthly payments out of rent money. The

present lessee is confident that he now has a first class investment.

Then there is a taxicab company with a downtown station not far from the FHA building. It saw possibilities for a restaurant in that neighborhood and had a building which would suit, after remodeling. The bank liked the idea and made a \$2,500 Title I loan in October 1938. The property was remodeled, the restaurant opened, and the loan had been reduced to \$644 by February 1939. Company officials say the restaurant is more than paying for the improvements.

One more example from this bank's portfolio. A liquor store had been established a few years ago in a section where business was just beginning to feel its way. The old manager blamed poor business on the neighborhood. A new manager with some merchandizing ideas took it over last Summer, made it a thoroughly modern shop with a Title I loan, and already has paid back \$400. He said that business picked up from the day the modernized store opened.

At the time of this check-up, the officer in charge of FHA loans of a large New York bank was here to discuss new ways of extending his already large Title I business, "because it is good for the bank and good for the borrower."

One of this New York bank's best sources of Title I business has been small apartment houses which had to make certain improvements in order to remain in operation, bringing the structures up to New York's apartment house requirements.

Another good source was the installation of new store fronts. The bank official said that this type of business was contagious, as one such modernization job in a business block usually is followed by several others. The other merchants find that they lose business unless they also bring their establishments up to date.

While this bank official declined to estimate the percentage of increase in revenues following store modernization, he stated that his experience with modernization loans proved them to be beneficial to the borrower as well as profitable to the bank.

FHA statistics on store modernization loans are not extensive. During the first major phase of Title I lending, machinery and equipment were eligible, and loans up to \$50,000 for awhile. For the period from January 1935 through March 1937, 6.7 per cent of the total number of Title I loans and 13.1 per cent of the total amount were for modernization of retail stores and service establishments. Other commercial properties accounted for 1.3 per cent of the number and 4.3 per cent of the amount. Industrial properties accounted for 0.6 per cent of the number and 3.6 per cent of the amount.

Thus commercial and industrial loans accounted for 8.6 per cent of the total number and 21.0 per cent of

..... The Home Front Prospers

There is no question that it pays to modernize, particularly for business properties, provided all the other elements are sound. In many instances, the bank can see such a proposition in a clearer light than the business man, and is better able to judge the soundness of the loan. Most bankers realize that it is a necessity for the modern merchant to maintain a modern establishment.

the total amount when large loans were allowed and machinery and equipment were eligible.

When Title I lending was resumed in February 1938 with machinery and equipment excluded, the proportion of loans for commercial and industrial properties dropped sharply. They accounted for 3.9 per cent of the number and 8.6 per cent of the amount of all loans insured under the 1938 amendments, and 3.8 per cent of the number and 7.0 per cent of the amount reported for insurance under the 1939 amendments from June 1939 through December 1940. While no breakdown is available, it is known that the great bulk of such loans was for modernization of retail establishments.

Under the 1939 amendments, the greatest number of commercial and industrial loans was for heating and the greatest sum of money for additions and alterations.

While the FHA has no statistical proof, FHA officials are satisfied that in the overwhelming majority of cases modernization has meant increased business and, in many cases, has meant the difference between business life and death.

The Federal Housing Administration is proud of its record of business establishments clear across the continent which are doing bigger and better business because they have brought their establishments up to date through private funds advanced by private financial institutions and insured by the FHA.

Also it is proud of the cooperation of the financial institutions in establishing this record, for in a great number of instances it was the bank which persuaded the merchant to undertake the modernization which meant increased revenues—both to the bank and to the merchant. The bankers who have made the greatest success of Title I loans have been good salesmen.

"Modernization Loan Experience", appearing on page 44 of this issue of **BANKING**, gives the results obtained by a number of banks which make renovating loans.

April 1941



CUSHING PHOTOS

Room at the Top in Banking

JOSEPH J. SCHROEDER

While reading a recent issue of "The Bank Man," published by Chicago Chapter, American Institute of Banking Section of the American Bankers Association, we came upon an editorial that impressed us. Its title was "Banking As a Career." So we asked Editor SCHROEDER if he would like to expand his ideas into an article. He said yes, and here is the result.

BANKING in the United States has many unusual aspects, none more significant to the young man who expects to make banking his life work than the vast army of officials which our banks require.

Even in our largest banks, one out of every 12 or 15 men on the typical force is an elected official, not to mention at least two or three more who are department managers or key men, ranking high in responsibility and remuneration.

But it is only when the banking system is considered as a whole that the opportunity for the typical bank man to attain official position is really apparent. There are over 50,000 officers in the chartered banks of the United States, better than one out of every four men on bank payrolls. As these include many huge institutions with thousands of employees and an average of only one officer to 12 or 15 clerks, analysis of the figures indicates that the probability of official position for the typical bank man is considerably better than one in four.

BECAUSE of the scattered agencies having supervision over the various segments of our banking structure, complete figures are somewhat difficult to obtain, but by a little interpolation, ratios that must be fairly accurate can be obtained. The annual reports of the Federal Deposit Insurance Corporation give us our widest covering statistically and include the largest part of the banking structure. They show an impressive proportion of officers to clerks. The report for December 31, 1939, covers 13,523 banks having a personnel of 54,649 officials and 191,321 clerks, a total working force of 245,970. This is a ratio of officers to total employees of 22.2 per cent, considerably better than one in five and not much short of one in four.

The reports of the FDIC ignore the sex angle, but from the Women's Committee of the American Institute of Banking we learn that 53,767 women were employed in banks at a recent date. A census by the A.I.B., published in the January 1941 *Bulletin* of the American Institute of Banking, gives 268,365 as the total number of employees in United States banks. Comparison of these figures with the data gathered by the Women's Committee indicates a ratio of women to total employees of about 20 per cent.

If we eliminate 20 per cent of FDIC-employee figures, this leaves 195,776 male employees in insured banks. Assuming that all the officers are men—which we know

No Bankers' West Point

"Tomorrow's officers must come from the ranks of today's clerks. It is a matter of common observation that the great majority of bank officials came up from the ranks. Even youthful bank officials are veterans. They acquire their titles after years of experience, first in minor positions and then in more important ones. There is no West Point for the training of officers for banks. Even The Graduate School of Banking is restricted, with certain exceptions, to those who already have titles."

is not entirely true but probably not substantially incorrect—we find that about 28 per cent of all of the male employees are officials.

But the real question before the young man who is going to spend a life in banking is: can he depend upon promotion being sure?

This, we feel, the figures quoted prove with fair conclusiveness. The ratio would be even better if we could refine it by eliminating the casuals on every force, who decrease the arithmetical probability without offering real competition for worthwhile jobs. This is difficult, either statistically or practically (personnel managers will testify to the latter fact); but we have some evidence that in a normal labor market, the turnover in bank personnel is around 25 per cent. This in large part is made up of the fellows who came in because it was raining outside, because they had to get on a payroll, or because they thought bankers worked from 10 to 2. In a moment of weariness, or simply because there was no better choice, they were "put on" and now, after a month or two of disillusionment on both sides they are on their way again.

Such as these are not candidates for official positions. If we eliminate 25 per cent of the male personnel as being untried or tentative, it leaves less than 150,000 permanent employees, of whom more than 50,000 have official title, or better than one in three. This is not unduly optimistic.

However, be the mathematical chances of a man becoming an officer what they may, it is certain that the issue is not one of chance. Promotion will come to the man who has confidence in his institution and who gives it the best he has.

Every bank man should qualify himself to be an official, not as a vague hope but in a positive manner, giving real thought to the problems with which the management of his bank copes and those besetting the banking business generally. Also, bank officials should encourage young associates to develop their capacities.

Bank Directors and Investments

MILTON WRIGHT

Mr. WRIGHT offers some pointers as to what the bank director should know—and do—about his institution's investment policies and practices. The article, one in a series on the general job of directing, also makes constructive suggestions concerning a bank's investments. The material was obtained from interviews with bankers in various sections of the country.

"DIRECTORS are peculiar people," said a bank president as he left a meeting of the executive committee of the board. "They argued for a half hour over a \$50 loan application, and yet, a little later, when I brought up a \$50,000 bond item, they didn't have anything to say. Just told me to go ahead and use my own judgment."

"That was quite a compliment, wasn't it?" I asked.

"Perhaps. But I'd feel more comfortable if they'd display a little more interest. You see, they know the circumstances attendant upon local loan applications—in some cases they are personally acquainted with the applicants—but investments are something foreign to them. I take full responsibility, with the result that we go through an average board meeting without bonds ever being mentioned, except as I slide through them in my report."

"They know you're a shrewd investor," I said.

"But I'm not. I'm just an average country banker. I made that perfectly clear to the board when I took this job six years ago. I pointed out that it would be a full time job trying to run the bank for them, and that I couldn't be watching the market unceasingly to make sure that we get in at the bottom and out at the top. I'm just not smart enough for that."

"The directors agreed that it would be all right with them if I should buy bonds that are sound, with a fair going rate, and with reasonable maturities. I told them I'd hang on to these securities until I saw something that would make them less attractive. I hold them until something happens to individual issues. Our correspondent in New York keeps me advised on the securities I have, so that I can make up my mind when to buy and sell."

SUCH a situation is common and in many cases seems to work out, until something goes wrong, with a fair degree of success. Nevertheless, it indicates a clear shirking of responsibility by the directors. Moreover, it is unfair to the president.

The president just quoted knows his limitations and is concerned more with safety than with yield. In similar circumstances, elsewhere, however, the executive officer, under the necessity of showing a profit, may develop a tendency to become a market operator. More and more he is likely to be concerned with individual issues until his entire portfolio is thrown sadly out of

balance. This is true even though he relies upon the advice of a broker whose knowledge and judgment are of the best.

No bank should buy a bond simply because it is a good bond. Directors ought to understand the reason for this principle, and lay down guiding policies to insure that it be kept. The board should know, at all times, how well in line its holdings are being maintained. Investment procedure of the management must be supervised. It is a duty the directors owe to depositors, stockholders and the community.

On the other hand, supervision should not go so far as to prevent initiative by the management. We sometimes find a bank where no securities can be bought or sold unless a committee holds a meeting and gives its approval. Unusual situations may develop suddenly where prompt action is necessary to pick up a desirable bond at an attractive price or to sell immediately to avoid a loss. In such case the management should be permitted to act at its discretion.

IN GENERAL, however, if the board is exercising an intelligent and conscientious supervision over investments, emergencies are likely to be few. Moreover, should they arise, the management will have an approved standard to guide him.

Every director has seen a steady shifting of emphasis in banking operations. There was a time when the bank's interests were circumscribed almost wholly by the immediate community. Most of its funds were invested in

Dr. Marcus A. Nadler, professor of finance, New York University, told the recent A.B.A. banking conference in New York that because of the uncertainty and confusion ahead, "the only policy to be followed by the banks as regards investments is one of conservatism"



local loans, and these, because of strong demands and high rates, made operation profitable. The average director was wholly justified in giving more attention to loans than he did to investments. Besides, loans were easier to understand.

Things are different now. Deposits have increased to an embarrassing extent. Not enough people want to borrow. Such loans as the bank is able to make must be made at rates lower than formerly. Also, it costs more to operate now.

To some extent the operating losses can be offset by service charges. The necessity for earning the prevailing interest rate on savings has been met quite easily by lowering the rate. The problems presented by the mounting surpluses, however, could be solved only by enlarging the investment portfolio.

Today, in the average bank, one-third of the gross earnings comes from investments. They are the bank's chief source of income. Because of their importance, they must be not only well planned, but kept under careful and continuous scrutiny.

ANY general plan of investment supervision should take into consideration the changes and trends of the last few years, as well as the changes already manifest as a result of the national defense effort. The director of almost any bank would find it illuminating to compare the investment portfolio of 10 years ago with the portfolio of today. Whereas railroads, foreign securities, holding company debentures, investment trust issues, industrial and real estate bonds then made up a large proportion, today he is likely to find that at least 70 per cent comprises U. S. Government obligations, with state and municipal obligations making up another 15 per cent.

With the pace of trade and industry accelerating, changes undoubtedly will have to be made from time to time in the investment position of any particular bank. It will be necessary to subscribe more heavily to U. S. Government securities. Should there be heavier demands for industrial loans—which is wholly consistent with expansion—there will be less surplus available for investment. It all takes careful planning, and it should not be put off.

Preferably, any plan for the future that is decided upon should be reduced to writing. Otherwise, bull markets or other circumstances may provide temptations that will not be resisted.

Safety is, of course, the first consideration in any investment program. This requires not only that the invested funds shall not deteriorate in value, but that they shall be readily available when needed to prevent losses elsewhere. Liquidity of investments comes second only to security.

One kind of investment must be balanced against another. A simple application of this principle prevails in a New England group of associated banks, whose manager explains:

"Because of the nature of the communities we serve, we invest our funds heavily in mortgages. Now, mortgages are about the slowest of assets, so we have to offset them with the quickest—Government bonds. Out of \$22,000,000 of our assets, \$12,700,000 are in Government bonds and cash."

No Time For Guesswork

"It is no time to try to guess short upturns and drops in the bond market. A conservative, balanced program is called for, with the interests of the depositors, not the borrowers or the stockholder, taking precedence. And this program must be watched constantly."

There are all sorts of opinions among directors as to the kinds of investments they should prescribe. While security and liquidity are of prime importance, there is also the question of adequate yield. The rate of return that is necessary will have a bearing on the kind of securities that are bought.

In any investment program, the first step is to make sure that the principal is safe. The board should have the present holdings analyzed. Assets about which there is any doubt whatever should be marked for liquidating as soon as a favorable opportunity presents. Scrutinize doubtful industrials, utilities and municipals that seem to be surprisingly high in contrast with only a short time ago. Perhaps this is a good time to unload them. If there are some bonds that are quoted considerably below par, it might be well to lower your liquidating price. Aim towards making the whole list sound as quickly as possible.

It is well to have a policy as to the maturity of bonds. Maturities should be short, probably not more than five years. See to it that your bond program includes a schedule of staggered maturities.

You are helping to keep the bank in a safe position if you can have some of your securities maturing every six months. Thus you create a revolving fund. This gives you liquidity, stability and a reasonable rate of return. There is a psychological advantage, too, in this, for it necessitates a fresh inquiry as to the value of a security whose purchase is suggested. A still further advantage lies in the fact that your cash is periodically augmented. Unforeseen demands may make an ample cash position necessary.

Let it be a leading investment principle that such bonds as you buy are of a kind least likely to slump with a general drop in business.

The old principle of diversifying your purchases in order to minimize your risks should be one of your firm tenets. Such diversification should be as to types, locations, lines, and maturities. Establish a proper balance between your holdings of state government, municipal, public utility, railroad, equipment trust, industrial, real estate and other bonds.

The course that lies ahead is not an easy one to chart, and the management needs all the help and guidance the directors can give. On the one hand, if the bank is fully invested, there may not be sufficient protection against a rise in interest rates. On the other hand, if an extremely liquid position is maintained, there will be operating losses and a lack of protection for the earning position if bond prices remain high indefinitely.

6% Is Not 11.7%

R. B. STEWART

"We charge 6 per cent in advance on automobile loans or other similar regular payment loans. We believe there is no justification for the position taken by William Trufant Foster in his article in

the February issue of BANKING, in which he criticizes banks for misleading the public by allowing them to believe they are borrowing money at 6 per cent when they are really paying 11.7 per cent."

Mr. STEWART is president of the Miami Deposit Bank, Yellow Springs, Ohio.

WEEKLY or monthly payments to us are placed in escrow in special accounts where neither we nor the customer have access to them until the loan is due. Then the total accumulated is paid on the note. As far as the loan is concerned, it makes absolutely no difference whether the borrower lets his payments accumulate in a cigar box at home or puts the money in a bank account to accumulate. In neither case is there any reduction of the unpaid balance on the loan. Just because the borrower is deprived of the use of the money, it does not follow that it is a payment on the loan or that the bank is reloaning the money.

Neither the borrower nor the bank has the use of this money. By common consent, it is merely set aside to assure both parties that payment will be made at maturity. It is a form of collateral. This regular setting aside of small amounts by a borrower is a safety feature for himself and the bank. The funds so deposited are segregated and the bank is not required to keep demand deposit reserves on them. There is still such confusion of practice in regard to how payments are made over the country that the Federal Deposit Insurance Corporation and Federal Reserve bank cannot properly classify the reserve requirements as yet. It is our belief that payments made under definite contract, as described herein, certainly should not be required to have the demand deposit reserve because it is known exactly when they will be withdrawn.

I DOUBT if any banks in this country are so fully loaned out that they need to use these escrow funds to reloan before a loan is paid. I believe that most banks, including ours, would prefer to have the regular monthly deposits made to some other agency so that the bank would not have to bother with them or see that they were made on time. As it is, the bank collects only the 6 per cent and assists the borrower to make his deposit payments without charging for the expense involved in that operation.

In the case of the finance companies it is quite different. Most of these institutions borrow their capital and keep fully reloaned so that when loan payments are made this money can be turned into an immediate saving, either on interest paid to their creditors or in the

making of new loans. Finance companies, therefore, must rightfully consider this in figuring the actual rate charged.

Also, it is true that a great many banks do not use our method of payment, either because of legal restrictions in their states or because of some other reason or custom. Some make the mistake of putting these payments on savings accounts where they are required to give them credit for the regular savings rate of interest until these deposits are applied on the note itself. So their real income from such a loan is their original rate of discount, less the expense of keeping track of and collecting payments, less the interest paid on the deposited payments, which does not leave the banks much to work on.

Other banks make the very evident error of accepting payments and voluntarily giving the borrower immediate credit on his principal, even though the payment is recorded on a special ledger instead of on the back of the note. The extra work involved in figuring these credits, especially on such small and numerous instalments, must be enormous and further decreases the net return. We view it as most impractical and costly to attempt any such program. The actual dollars and cents saving to the borrower is not much on loans of average size.

The banks which use our method, therefore, are most likely to be subject to the criticism set forth by Mr. Foster in his article, and it is this group I particularly wish to defend on the basis that these deposits made by the borrower constitute a true escrow account. For instance, we loan two different borrowers \$100 each and discount these loans at 6 per cent for one year. Borrower "A" makes monthly payments to us and Borrower "B" saves his own money in his checking or savings account, or at home in a cigar box. At the end of the year, "A's" note is paid in full by transfer from the escrow deposit account and "B" pays his by check. We receive \$6 interest in each case and each man has paid exactly the same interest on his loan. As a matter of fact, we receive less net income from the borrower who made payments directly to us, as we have to pay the cost of collecting and recording these payments.

The whole issue must be decided on the basis of the use to which the payments are put; i.e., whether they are truly in escrow. Just because the bank refuses to record a payment on the back of a note, it does not

(CONTINUED ON PAGE 71)

EMPLOYEE PERSONALITY and CUSTOMER POTENTIAL

(E P † Good)

100

TOP

90

PERFECT

80

EXCELLENT

70

BETTER

60

GOOD

50

AVERAGE

40

30

20

10

0

7.

CP* hits the top. He will be back, make no mistake about that.

6.

Prospect goes out side door, noticing lobby display. He is in a receptive frame of mind.

5.

Personal Loan Officer calls him by name. Prospect beams. CP* is mounting higher.

4.

Teller concludes transaction politely and says "thank you."

3.

Prospect is greeted by smile and hearty "Hello!" at teller's cage.

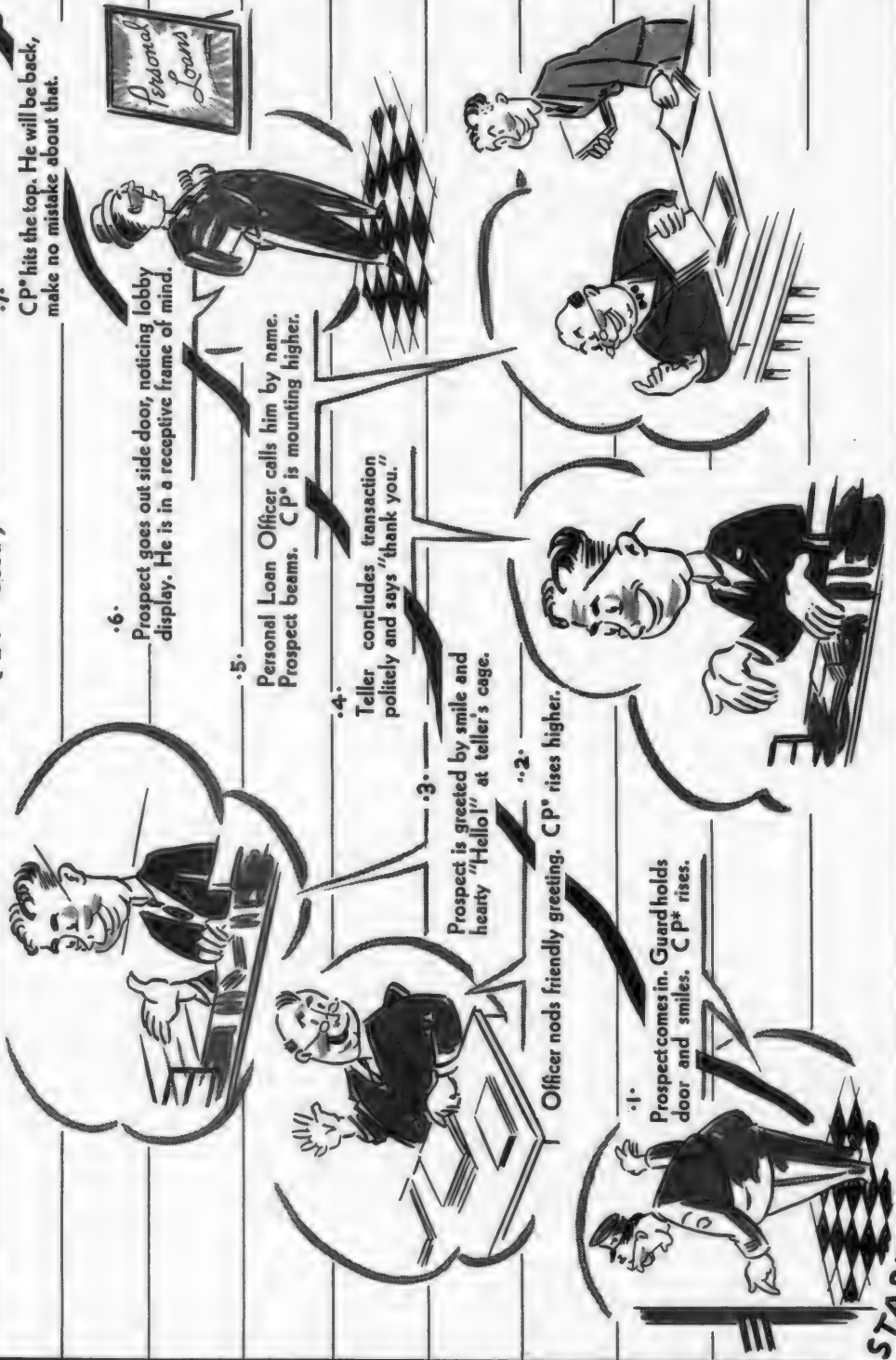
2.

Officer nods friendly greeting. CP* rises higher.

1.

Prospect comes in. Guard holds door and smiles. CP* rises.

START



These charts show the relationship between Employee Personality and Customer Potential. Mr. Prospect, any Mr. Prospect, in each case, above and below, ventures into two different banks. His experiences, recorded graphically and, of course, satirically, serve to remind that public relations begin at home.

† Employee Personality — E P — The stuff of which sales are made.
• Customer Potential — C P — The chances of the prospect becoming a user of a service of the bank.

Note that C P* raises or lowers in direct relation to the movement of E P.

—Charts by J. Will Irwin and Bob Kirkpatrick

START

(E † Bad)

1. Prospect comes in, slightly bewildered. Guard looks at him as if he is related to the lowest form of animal life—says "move on, bud." C P* sinks.

2. Officers condescend to look at no one, let alone poor Mr. Prospect.

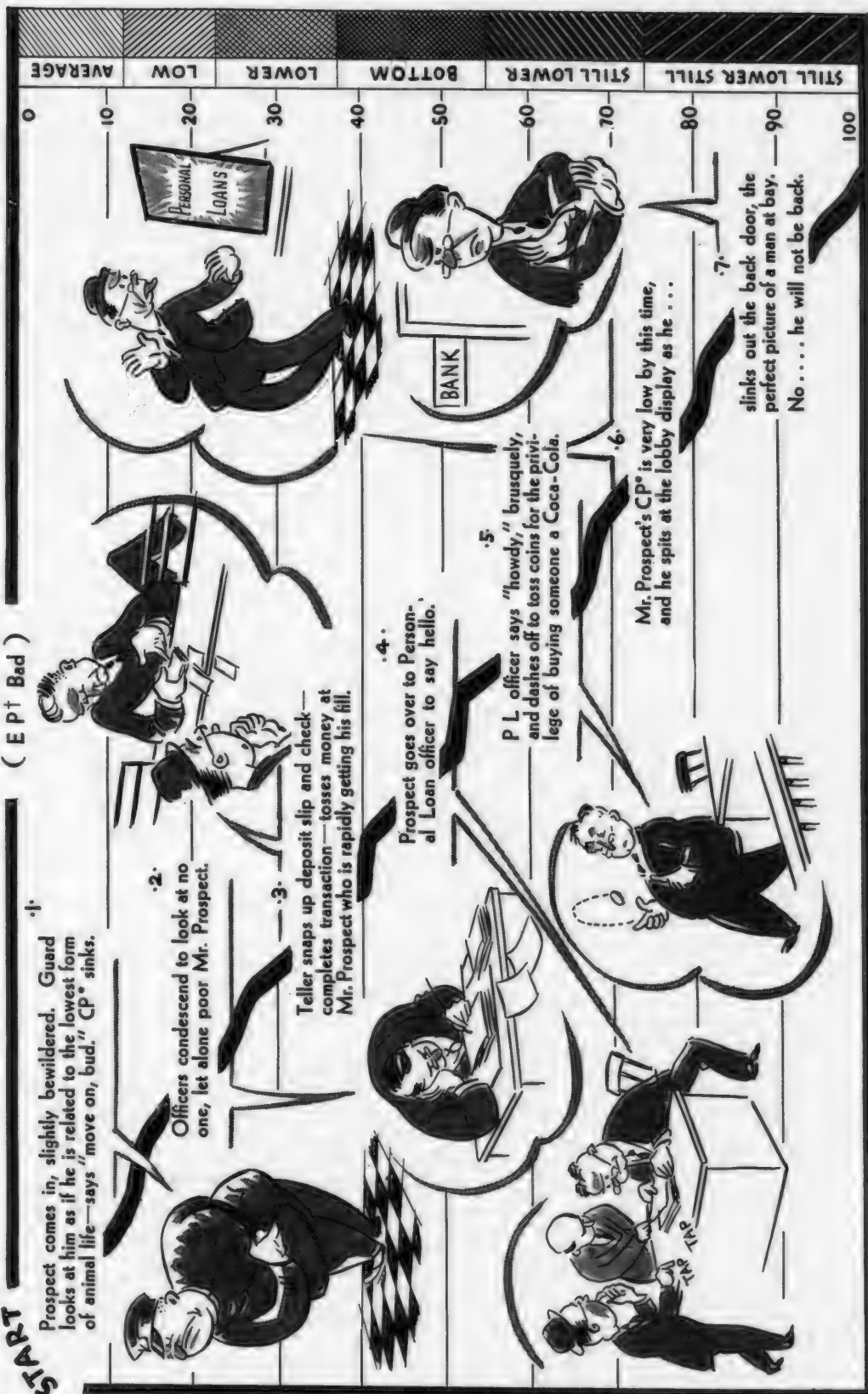
3. Teller snaps up deposit slip and check— completes transaction—tosses money at Mr. Prospect who is rapidly getting his fill.

4. Prospect goes over to Personal Loan officer to say hello.

5. P L officer says "howdy," brusquely, and dashes off to toss coins for the privilege of buying someone a Coca-Cola.

6. Mr. Prospect's C P* is very low by this time, and he spits at the lobby display as he . . .

7. . . slinks out the back door, the perfect picture of a man at bay. No . . . he will not be back.



A Problem of "In and Out" Savers

IRVIN BUSSING

DR. BUSSING is Director of Research, Savings Banks Trust Company, New York City, a member of the Faculty of The Graduate School of Banking of the American Bankers Association, and a member of the A.B.A. Savings Development Committee.

THE recent nation-wide analysis of savings deposits undertaken by the Savings Division of the American Bankers Association has confirmed some rather startling facts which had been disclosed by an earlier study of this subject on a smaller scale undertaken in New York and Massachusetts. It has become evident that the over-activity of a small group of depositors is a widespread condition, to be observed in fact, among banks from Maine to California.

This problem might be discussed from several angles and proposed solutions might take a variety of forms. But since there is another problem of even greater importance, namely, the question of interest payment methods and rates it is the purpose of this article to treat both topics as aspects of the same thing, and offer a solution which will to a degree meet the requirements.

DURING recent months many banks have made flat reductions in the rate of interest. When a bank reduces from say 2 per cent to 1½ per cent a saving of about 25 per cent in the cost of money results. The objection to such flat reductions is that they apply willy-nilly to all accounts—active and inactive, old and new, large and small; whereas justice requires a differential dividend policy in which preferred treatment would be accorded those depositors whose behavior conforms most closely to that of the ideal depositor.

In every bank there are active and inactive savings depositors. Among the savings departments and savings banks recently studied, for example, it was found that in the average institution about 37 per cent of the number of withdrawal transactions are occasioned by a group of depositors whose aggregate savings amounted to only about 1 per cent of the time deposits in the bank. Thus 1 per cent of the deposits causes 37 per cent of withdrawal activities. These same depositors were equally active on the deposit side. Manifestly they are habitual put-and-take depositors, not savers who put regularly and take only occasionally to meet special situations. Moreover, all the accounts in this active group amounted at the time of the investigation to less than \$100 each. Let it be understood, moreover, that the banks participating in this study were typical institutions chosen at random. The situation in your bank would not be materially different, unless your institution is subject to some unusual circumstances.

The degree of overactivity occasioned by a minority of depositors in the average institution may be illustrated by means of another comparison. Where 37 per cent of

the activity is caused by depositors who own only 1 per cent of the savings deposits of a bank, an institution in which there are 10,000 deposit and draft transactions per year would be compelled to handle 370,000 such transactions per year if the other depositors were equally active in proportion to the size of their deposit balance.

In fact, however, in the same group of banks referred to above, there is another class of depositors who own about 85 per cent of the time deposits but these depositors are responsible for only about 17 per cent of the number of withdrawal transactions.

How can anyone justify a dividend policy which treats these two groups of depositors substantially alike? Is it not obvious where there is such a difference among depositors, that interest payment methods should take account of such differences?

THERE is another angle to this question, having to do with the performance of ordinary banking functions. Many banks are inching themselves out of the banking business today by refusing to accept the public's money. This is defended by saying that suitable investments are "not available" or that additional deposits will dilute the bank's surplus, or that the money which is being offered today is "investment" money which will be "pulled out" of the bank by the depositor as soon as opportunities in the investment field improve.

All of these reasons reflect an unwholesome rigidity in interest policy and an incapacity or unwillingness on the part of bank officers, directors and trustees to adjust the terms upon which they are willing to do business, to the needs of the public.

How can we meet the dual responsibility of rewarding the deserving depositor and accepting a larger portion of the public's current savings? To a substantial degree I believe it can be done by the adoption of a functional interest payment policy. This requires some elucidation.

SINCE one group of depositors occasions a disproportionate amount of activity on the banking floor while another group provides the bulk of the bank's earning assets, an equitable interest policy would treat the latter group more generously than the former. To date, no better method of accomplishing this has been suggested than that of paying the maximum rate of interest, consistent with sound bank management to the steady depositors, and a nominal rate to those whose accounts do not behave like savings accounts or whose funds have more recently come to the bank as an alternative to other current investment opportunities, and have yet to prove that they are savings funds.

Specifically, by the payment of let us say 2 per cent per annum on funds which have remained in the bank for three or five years, and 1 per cent per annum on

funds which have been on deposit a shorter period, we accomplish both objectives at once: we reward the depositor who has left all or any part of his balance in the bank undisturbed for a period of three or five years or more; we offer a lower return to the active depositor; and we place the bank in position to accept new money without, or at least with a minimum of, restrictions as to amount or frequency of deposit.

SOME such split interest rate plan must be more widely adopted as a means of adjusting the banking business to the public's eagerness to entrust more of its current savings to our care. Two savings banks recently have adopted the plan referred to above. In one of these institutions, despite the fact that the 2 per cent rate has been maintained on funds which have been in the bank three years or more, the split rate plan has resulted in a reduction of almost 23 per cent in the amount paid as interest. This is to be compared with a reduction in money cost of 25 per cent if the interest rate had been cut on all accounts on all balances from a flat rate of 2 per cent to a flat rate of 1½ per cent. In addition, the two banks have been able to remove all restrictions on current deposits because they are well able to pay 1 per cent per annum on newly deposited funds. Moreover, no additional employee assistance or overtime has been necessary, and the public seems to approve.

The usual objection raised by bank officers to a differential rate of this kind is twofold: first, that the public will not understand it, and, second, that the accounting problem is too difficult. The experience of these banks so far belies both of these assumptions. In a few months we shall have sufficient evidence from the second bank and then the issue will have been removed from the realm of theory and placed in the category of fact.

The mechanics of the plan may be very simple. Let us assume that a bank is paying 2 per cent on the low balance for three years and on the remainder of the account 1 per cent on the low balance for the last semi-annual period.

We may show the low balance for each semi-annual period for the last three years as follows and it might be entered in this form on the ledger card also:

| Low Balance Each Semi-annual Period | | | | |
|-------------------------------------|------|------|------|------|
| 1938 | 1939 | 1940 | 1941 | 1942 |
| (200) | 400 | 700 | 600 | |
| 300 | 400 | 600 | | |

At the end of the first semi-annual period of 1941 it is found by inspection of the card that the low balance for that period was \$600. Since we are paying 1 per cent per annum on the low balance for the last semi-annual period and 2 per cent per annum on the low balance for the preceding three years we will pay at the rate of

1 per cent per annum on \$600 or \$3.00 for six months, and 1 per cent per annum additional on \$300 (the low balance for the last three years) or..... 1.50 " " "
\$4.50 " " "

There is nothing complicated about taking 1 per cent per annum of the low balance for the current period, and 1 per cent per annum of the low balance for the last three years, and adding the two together to get the total amount of interest payable.

NO ONE will insist that a dual rate of interest on existing deposits meets unequivocally all the requirements of dividend policy. For example, it does not make adequate provision for the depositor who makes regular deposits. Such an individual is a desirable type. He is practicing thrift before our very eyes and he deserves considerate treatment. Yet if we pay the preferred rate on the low balance for the last three years, it is obvious that he will receive the lower rate year after year on all deposits made during the last three years.

Since this individual is accumulating a balance we should give some thought to the possibility of establishing a plan or policy which will reward him for his steadfastness. This might be done by taking a leaf out of the book of savings and loan associations. We might say to such a depositor: "If you deposit money regularly and leave it here, anticipating some goal of \$5,000 or \$1,000, or what-not, we will meet you halfway. We will pay you a nominal rate of interest, whatever that rate may be. At the same time, if earnings permit, the trustees of this institution will declare an additional or bonus dividend to you for your consistency as a saver. That dividend will not be credited to your account currently, but will be reserved; if you reach your objective, those reserved dividends will be credited to your account at the time you reach your goal. If you don't reach your objective, or wish to withdraw, you may have your money and the dividends that have been credited."

Some such plan as this plus a split rate comes close to a balanced program. The split rate provides equitable treatment for existing or old depositors because it rewards depositors in proportion as they consistently leave their funds in the bank. The accumulation or objective account plan described immediately above rewards the new depositor or the individual who by abstaining from frequent withdrawals seeks to build up an account by more or less regular deposits. In between these two classes of accounts is the in-and-outer, the put-and-taker, and for him the bank should provide what he wants; namely, a safe place for his liquid funds and a convenient method of making deposits and paying bills. For this service an appropriate charge should be made.

As a means of testing opinion among the men who are regular students at The Graduate School of Banking, I submitted a question to the group as part of the Winter extension work which these men undertake. The question was as follows:

"Discuss the various methods now in use in the payment of interest and appraise each. Can you suggest any better methods?"

The replies indicated an overwhelming dissatisfaction with most methods now in use, and nearly all of the students sought to develop a different plan of interest payment in which the split rate idea, coupled with an accumulation account, played a prominent part.

Next month **BANKING** will publish excerpts from some of the students' answers.

Interest Rates Level Off

A Report on a Survey of Clearinghouses

ALTHOUGH the trend of interest rates paid by banks on time deposits continues slightly downward, according to recent data obtained by BANKING from clearinghouse associations in all sections of the country, the reduction of rates appears less extensive at present than in earlier years, so that a slight leveling off of the trend is reflected. The downward movement dates generally from 1933.

The following questions were sent to clearinghouse associations in 50 large cities covering 45 states:

1. *What is the approximate range of interest rates being paid on time deposits?*
2. *How does this compare with a year ago?*
3. *In your opinion what is the present trend of rates?*

REPLIES to the third question indicate that 20 of the 42 associations responding are of the opinion that the present trend of rates points downward, 14 think rates are stationary, and three believe the trend is upward. Five clearinghouses offered no opinion to the query. In 15 clearinghouses the interest rates on savings or other time deposits are lower than a year ago. Twenty-five cities reported that rates paid by their banks are the same as a year ago, but of this number more than half believe the trend is still downward.

The maximum rate paid by banks on savings deposits ranged from 1 to 2 per cent in a large majority of the reporting cities. In 16 of these 42 cities banks pay a maximum rate of 2 per cent, in 12 cities 1 per cent, in nine cities $1\frac{1}{2}$ per cent, and in one city $1\frac{1}{4}$ per cent. Of the four cities showing higher maximum rates, three reported $2\frac{1}{2}$ per cent and one association said that, although the majority of its banks are paying $2\frac{1}{2}$ per cent, one mutual savings bank still pays a maximum rate of 3 per cent.

In a number of clearinghouses the rate of interest on savings is based on the amount of the deposit, that is, they employ a scale of rates in which the rate paid decreases as the size of the deposit increases. Where a scale of rates is in effect, the minimum rates reported most frequently were $\frac{1}{2}$ and $\frac{1}{4}$ of 1 per cent, while it appears that no interest is paid on balances in excess of a specified amount in four cities.

It should be noted here, perhaps, that the predominant rate of interest paid by banks on time deposits has been 2 per cent since 1935. The downward movement of interest rates, which began in 1933 as the result of reduced bank earnings, gained momentum quickly. It is estimated that by 1937 nearly 85 per cent of the banks in the country had reduced their rates on time deposits to 2 per cent or less. Since then rates have continued downward because banks have been endeavoring to bring the expense item of interest paid down to a point commensurate with their low return on loans and investments. However, in recent years the decline of rates

has been less abrupt, because rates in most banks by then had reached a low level.

As a general rule, clearinghouse regulations govern the maximum rate of interest paid by member banks. It seems to be the practice, however, in several cities for local banks to pay a lower rate of interest than the maximum allowed. This applies particularly to larger banks in metropolitan areas.

For other time deposits interest rates ranged from $\frac{1}{8}$ of 1 per cent to 2 per cent, depending on period and size of balance. Usually, banks do not pay interest on time certificates of deposit under 90 days. Further, in four cities it was observed that no interest is paid on time certificates of less than six months. Several localities reported that commercial banks are refusing to accept time deposits.

Interesting comments were made by clearinghouse officers in expressing their opinions regarding the trend of interest rates on time deposits. Among those who expect a continuation of the downward movement is an officer in a middle-western city who writes: "Our banks are tending more and more to tighten up on interest payments and the tendency is definitely downward."

AND another from the Mid-West said: "Beginning the first of the year the banks are not paying interest on more than \$1,000 on deposit by any one person. This, we believe, is in keeping with the trend over the country to cut banks' expenses in the interest-paying section."

A southern official wrote: "Although the trend might not be changing now, sentiment is definitely down. It is very much on the minds of the bankers in this territory and if conditions continue for another year, I believe many banks in this area will reduce their rates."

"The present trend of rates," said the manager of an eastern association, "again appears to be downward and based on my observations and talks with local bankers, I have concluded that if money isn't worth 1 per cent, it is not worth anything, which may or may not be the next step."

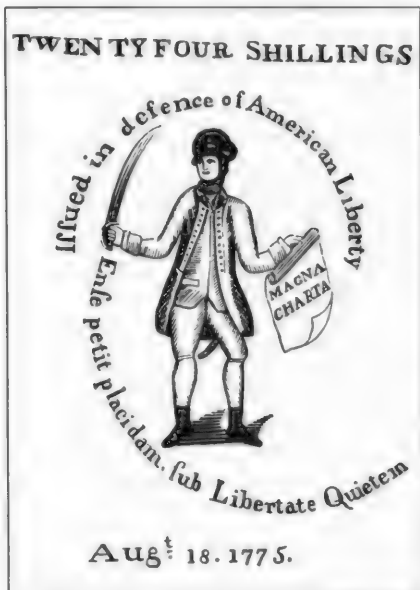
Opinions from those who think rates are stationary for the present are also of interest. One said: "Do not anticipate any further reduction from the current 1 per cent allowed by commercial member banks," while another pointed out: "It would appear that we are arriving at an irreducible minimum of interest paid."

The sentiment of a clearinghouse secretary on the Pacific Coast also is that rates for time deposits are comparatively stationary and are at the lowest point that they have ever been, while a southern secretary believes that present rates are not profitable but that under present conditions banks consider it inadvisable to make any further reductions now.

DALE E. HOFFMAN

Defense Is Expensive

As Mr. Atwood says in his article *How NOT to Pay for Defense* (see page 19) "... there is no simple or easy way to pay for national defense". The problem is by no means a new one. The illustration below, left, is the reverse of a Massachusetts Treasury note circulated during the Revolutionary War—"Twenty-Four Shillings issued in defense of American Liberty". Below, right, the first page of a bound record in the Comptroller's office in Washington marking the inauguration of the national banking system in the United States during the Civil War



T. F. HEALY COLLECTION

Philadelphia, May 28th. 1863.

We, whose names are specified in Article Fourth of this Certificate have associated ourselves together for the purpose of transacting the business of Banking under the Act entitled "An Act to provide a National Currency, secured by a pledge of United States stocks and to provide for the circulation and redemption thereof," approved February Twenty-fifth, one thousand eight hundred and sixty-three.

First. The name and title of this Association shall be the First National Bank of Philadelphia, (Pennsylvania)

Below, left, a scene showing laboring men subscribing to a loan to finance the Civil War. The title of the cartoon, below, right, printed at the time of the Spanish American war was "Not One Cent for Bunkum—Fifty Millions for Defense". It shows President William McKinley and Speaker Thomas B. Reed



T. F. HEALY COLLECTION



T. F. HEALY COLLECTION



INTERNATIONAL NEWS PHOTO



T. F. HEALY COLLECTION

The sale of Liberty Bonds, *left*, brings back memories of the first World War financing. In his article (page 19 of this issue) Mr. Atwood says the cost of this war to the United States at the present time is 60 billions, or twice the direct cost of the war itself. *Above*, two thrift stamps issued during the last World War. The Treasury has announced a renewal of this type of financing to start May 1

Below, left, war savings publicity in a Canadian store, and *right*, the public buying savings stamps in a municipal shelter "somewhere in England." The U. S. Treasury plans to sell its savings stamps through banks, post offices and department stores



DOROTHY MEIGS EIDLITZ



BRITISH COMBINE

Night work and overtime, *below, left*, the Bureau of Engraving and Printing where the United States paper currency and bonds are printed. The photograph *below, right*, pictures a German housewife using German marks as kindling shortly after the last World War



CUSHING



INTERNATIONAL NEWS PHOTO
BANKING

A High School Bank

HAZEL E. COLLINS

Mrs. COLLINS is head of the Bank Department of the Montgomery Blair High School, Silver Spring, Maryland.

THE Montgomery Blair High School bank, in operation five years, provides opportunities for every pupil in school to develop an awareness of the need for developing a sense of money-management. It also provides opportunities for each student to take part both as a private depositor saving for himself, and as a student treasurer of funds for any one of the many school activities.

At the same time it centralizes responsibility for school moneys in one person. All finances of the school are handled through the student-operated bank under the supervision of the school treasurer who is the teacher in charge of the bank.

From an administrative standpoint, the bank is the method of teaching money-management and offering an opportunity for building habitual financial planning. It provides unique and superior training for seniors majoring in banking and for other students. Pupils serve as student-treasurers of funds for the various faculty advisors; they use the school bank for handling all money transactions.

THE bank is open at definite times throughout the day. The students quietly perform their duties without direct supervision by the school treasurer who is busy with other senior commercial classes. The "bankers" rotate on the special bank assignments from these classes.

After the first six weeks of school, formal instruction in accounting principles is carried on for a part of the regular bank period two days a week. Study assignments in BANKING are written up and discussed.

The bank staff consists of the head cashier, assistant-cashier, head auditor, and the other workers. This group is made up of the 12th-year bookkeeping "majors." The students in the three top positions are selected by the school treasurer with the help of the principal, vice-principal, and the 11th-year bookkeeping teacher, and remain in these key positions for the year. The other



A room with combined facilities for office practice, bank work and cashier's cage. Mrs. Collins is seated at center desk

bank workers operate in the various departments on a rotating basis for periods of four to six weeks.

The bank affords a two-fold service to our school plant and a few related school-civic groups, as follows:

Savings Department: A savings service is maintained for the school body and faculty for their personal savings accounts. The purpose is to promote a general consciousness of the need for planned spending. Interest is paid twice a year on accounts complying with the rules and regulations.

Checking Department: Each activity and school organization fund is treated as a separate depositor-account. The faculty advisors for each fund appoint a student to act as business manager and to complete financial transactions with the bank.

A RECORD of deposits and payments is issued the first day of the month to the faculty advisor of each fund in the form of a bank statement, and the book is audited with this statement if desired.

The monthly audit of all business papers against entries in books of original entry, general ledger, and subsidiary card-ledgers is completed by the head auditor and head cashier, under the supervision of the school treasurer. In addition, the books are audited annually.

The high school bank is a worth-while factor in furthering student self-management and self-direction.

Below, left, students making deposits; right, part of the staff at work, with Mrs. Collins at extreme right





NBC PHOTO

RADIO—NBC Vice-president John Royal shows President Niles Trammell how the two NBC overseas stations serve Pan America over directional antennas. The beam to Portuguese-speaking Brazil shifts east to bring best reception to Spanish-language groups



DIPLOMACY—Secretary Hull, second from left, in Havana to attend the second meeting of ministers of foreign affairs of the Americas convened to discuss possessions of belligerents in this hemisphere and to define joint policy

El Gerente del Banco Central Argentino Visitó a Roosevelt

Luego declaró que no se registraron novedades en las negociaciones

Washington, noviembre 25 (United).—El presidente Roosevelt recibió hoy al gerente general del Banco Central de la República Argentina, señor Raúl Prebisch, y al

“NOS HACEN UN CERCO”, DICE LA PRENSA NIPONA

DECLARA IGUALMENTE UN PERIODICO QUE TOKIO NO HA INTENTADO AGRESIONES

TOKIO, febrero 21. (AP).—Más de un periódico de esta capital se cu-

What Is “Pan

PAN AMERICANISM is not just a war-born movement for mutual self-defense. It goes far back to the sympathy manifested by this country toward its neighbors to the South during their independence struggles early in the last century. Thus it antedates even the Monroe Doctrine.

Pan Americanism has varied manifestations. The ac-



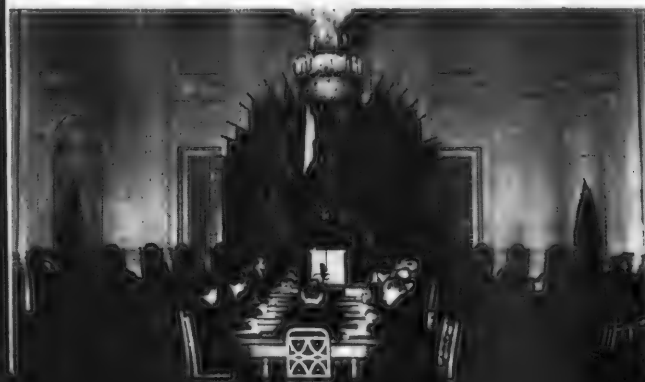
BANKS—The National City Bank of New York opened a branch in Buenos Aires in 1914, the first American national bank to enter the foreign field. Today it has 42 branches in Latin America. Above, sketch of the Buenos Aires branch. Inset, First National Bank of Boston's main Argentina branch in Buenos Aires, opened in 1917. It has six Argentine branches

PRESS—American press associations have served Latin America with a world-wide news service for years. Left, a UP dispatch from Washington and an AP story from Tokyo

ECONOMICS—Below, left, Inter-American Financial and Economic Advisory Committee

AVIATION—Before 1930 it took almost three weeks to reach Buenos Aires from New York; now Argentina is four stratosphere clips away. Below, right, North meets South in Peru

COURTESY OF PAN AMERICAN AIRWAYS

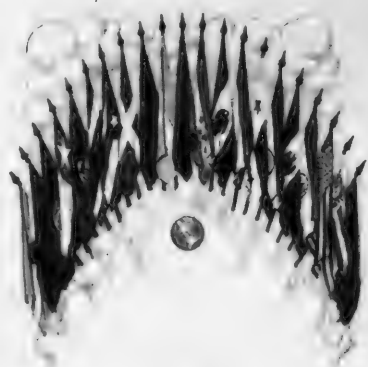


Americanism"?

companying illustrations can only suggest their variety. Trade, the oldest of ties, is simply the most obvious. Others, equally important, cannot be measured in dollars. Never before have we Americans been so hemisphere-conscious. Never before has the New World experienced such a reaching-out for mutual understanding and cooperation.

PAN AMERICAN DAY

APRIL 14



THE TWENTY-ONE AMERICAN REPUBLICS
CELEBRATE THEIR
PEACE, FRIENDSHIP AND SOLIDARITY

PAN AMERICAN UNION—The 21 American republics will celebrate peace, friendship and solidarity on April 14. *Above*, poster reproduces 21 colorful flags. The marble palace in Washington which houses the 52-year-old Pan American Union was the gift of the late Andrew Carnegie. Latin American diplomats sit on the Union's governing board

MILITARY—With the outbreak of war, closer cooperation between the Americas for defensive purposes became a reality. *Right*, Latin American generals here to study U. S. defense

EDUCATION—*Below, right*, Vice-president Wallace spoke recently to more than 100 Latin American students and professors in Washington

SHIPPING—The lifeline of inter-American trade. United States ships call regularly at Pan American ports. *Below, left*, Grace Liner S. S. Santa Lucia loading coffee at Colombia

COURTESY OF GRACE LINE



DIXON FROM NATIONAL DEFENSE ADVISORY COMMISSION

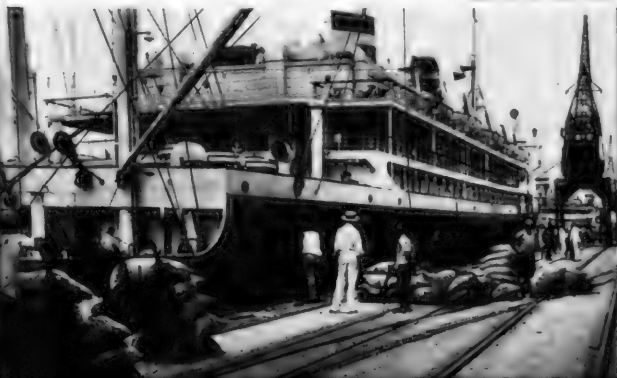
FINANCIAL—Economic and Cultural Coordinator Nelson Rockefeller, *right*, with Joseph C. Rovensky, foreign trade expert loaned by Chase National Bank to direct the Division of Finance and Industry, Council of National Defense. Mr. Rockefeller keeps in close touch with all Pan American agencies



HIGHWAYS—Since A. F. Tshiffely in 1926-28 rode horseback from Buenos Aires to Washington, the Pan American highway, to link the United States with Chile and Argentina, has spanned long stretches. *Above*, the link to Mexico City



HARRIS & EWING



Service Is the Word For Banking

ACTIONS, as well as words, reflect the confidence of bankers in the future progress of our country. A striking example of this, although a less concerted movement than the activities of bankers in helping to arrange loans to finance national defense, is the sizable number of banking institutions that are spending large sums to modernize and improve their customer and employee facilities.

Because of the wide interest on the part of our readers in bank renovating and enlargement, **BANKING** queried a cross-section of banks having recently improved their banking quarters. The response to this inquiry has been most enlightening. Believing that many readers have a latent desire, if not an actual program, to modernize their buildings, in this issue **BANKING** attempts to show the trend in modernization of bank buildings. Subsequently the benefits deriving to customers and employees will be summarized.

E. S. Woolley, expert bank analyst, after reviewing the modernization and enlargements made by the responding banks, made this pertinent observation:

"**O**NE point in the replies stands out clearly: the stress today is on light and friendliness in banking quarters. Going, if not gone, are the days when the interiors of banks 'were so somber as to be almost morbid.'

"Today low open counters are particularly designed to give a friendly welcoming atmosphere."

The men who had a share in working out their banks' refurbishing programs, with specific needs in mind, are the persons best qualified to tell about the improvements made. Hence, here are quotations from some of their letters.

James P. Hickok, president, Manchester Bank of Saint Louis, Missouri, summarizes his bank's improvements thus:

"Designed to give a friendly atmosphere to the quarters, the fixtures for the tellers' cages are of the low type, five and one-half feet high. They are without bars, and are low enough that tellers and customers can converse without the obstruction of the old-fashioned cage.

"All money, checks and other papers are concealed in

compartments beneath the counters where the tellers work.

"Between teller and customer, below eye level, is an illuminated sign giving the name of the department and the person on duty.

"The decorative scheme of the new quarters is built around Eldorado marble. . . . A gold hue predominates in the marble which subordinately gives a gray and bronze appearance. Based on the marble, the decorative scheme consists of bronze and walnut fixtures."

One of the most complete modernization jobs to come to **BANKING's** attention in recent years was that of the Commercial National Bank in Shreveport, Louisiana. In the 36 years of its history, the bank has occupied five buildings. Four of its eight presidents have moved it into larger and more up-to-date quarters, the last move having taken it into a new 17-story building on February 1. The implication seems to be that it pays to modernize.

The high-ceilinged banking room, one wall of which is covered with murals, takes up the entire ground floor, and features aluminum, white bronze, and chromium-finished fixtures. Officers' platforms are located at both ends of the lobby. The bookkeeping department is on the mezzanine and the trust department on the second floor.

An indication of the outstanding public relations job being done by the Commercial National is the eight-page supplement put out by *The Shreveport Times* featuring this bank's historical background and its up-to-the-minute new quarters.

AT LEAST half of the bank's reporting on their modernization programs included some sort of improvement in officers' quarters. Mr. Woolley expressed his satisfaction with this trend by saying that "such space when separated from the lobby only by a low rail is more friendly and inviting to bank customers than the old style counter; it also has a neater appearance. Private offices are frequently arranged behind these quarters for individual consultations."

(CONTINUED ON PAGE 40)

Below, left, main lobby of the Commercial National Bank, Shreveport, Louisiana; right, officers' platform flanked by private offices



Bank-Pioneered RECORDAK also serves 21 public utilities



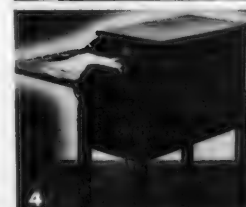
YOU know the indispensable role Recordak plays in banking . . . its invaluable contribution to efficiency, economy. But do you know that Recordak now works for your customers, too?

Great public utilities, for, example. It duplicates photographically, and therefore accurately, many types of records . . . "files" bulky blueprints on tiny rolls of film . . . "handles" stock transfers . . . preserves Social Security returns . . . and does many another important job, always more speedily, more efficiently, more economically than it has ever been done before.

Recordak should be working for you, too, as you're bound to agree when you check the savings it makes possible . . . up to 45% net on per item costs, up to 50% on supplies, 98% in storage space. Recordak is *rented*; not sold. Recordak Corporation, Subsidiary of Eastman Kodak Company, 350 Madison Avenue, New York, N. Y.

(1) Bank Model Recordak. Speeds up transit operations, photographs paid checks, for protection of bank and depositor. (2) Reversible Recordak. For photographing both sides of checks and large forms in a single operation. (3) Recordak

Junior. For smaller banks, and special departments of large banks (tellers' cages, trust and filing departments, etc.). (4) Commercial Recordak. Photographs all bank forms. Widely used for the Recordak System of Single Posting.



RECORDAK PHOTOGRAPHIC ACCOUNTING SYSTEMS



Above, left, the Madison Avenue and 28th Street branch of the Colonial Trust Company of New York employs a Colonial style of decoration throughout, with low tellers' counters, wrought iron grills, blue walls and Colonial-type customers' desks; right, lobby and tellers' cages of Eastern Trust and Banking Company, Bangor, Maine

Service Is the Word

(CONTINUED FROM PAGE 38)

"Private offices," Mr. Woolley added, "have been found particularly advantageous to the development of small loan departments. People wishing to borrow a few hundred dollars are more desirous, it seems, of discussing their affairs in seclusion than are those who seek to borrow many thousands."

Enlarged quarters for the trust department was the motivation of the Bellefonte (Pennsylvania) Trust Company in remodeling and modernizing its banking quarters. On this subject, M. K. Robb, assistant to the president, writes: "... before the planning of the work was completed, it was deemed advisable to make improvements in all departments toward greater convenience for customers and higher efficiency in the conduct of the bank's work."

"The trust department now occupies the first floor of the storeroom which was formerly adjacent to the bank. The façade of this portion of the building was rebuilt to match the architecture of the bank building . . . worthwhile changes were effected throughout the bank . . . so that the entire bank now presents a new, clean and modern appearance."

"Tellers occupy the side and rear lines of the public lobby. Here a modern low type banking screen was installed which contains an increased number of wickets. The wicket has an open center for conversation, between side panels of glass for more open view. Behind the

screen each wicket is equipped with built-in steel furniture . . . all individually designed for the tellers' use."

Linwood M. Coffin, assistant treasurer of the Eastern Trust and Banking Company of Bangor, Maine, contrasts his bank as it was before October 1939 with its present "raiment".

"The interior of our bank," he said, "was typically old style, with iron gratings in front of tellers' cages and sliding wire doors at the rear or ends of the cages. The woodwork in the main lobby was heavy, dark mahogany, with innumerable coats of varnish which had been applied from year to year."

"Today we have a terrazzo floor, with an attractive inlaid design; the woodwork is light oak panels, offset with black borders. We completely modernized the wall design, using three shades of buff, and the ceilings are soundproof. We have artistic and practical lighting fixtures, which add a harmonizing touch. By contrast, the appearance of the bank before modernization seems almost morbid."

THE Home State Bank in Russell, Kansas, occupies quarters originally designed for a store, which has walls 18 inches thick of native stone. Vice-president C. W. Shaffer describes the refurbishing of his bank as follows:

"We veneered these stone walls with Minnesota granite extending about three feet above the ground, the lower window sills being of this granite. The rest of the building was veneered with Bedford limestone. Granite and Bedford stone, about four inches thick, was fastened to the old wall with iron pins, giving us a wall about 30 inches thick."

"The interior was all remodeled. We have marble floors; fixtures and wainscot in the lobby and the working rooms are walnut. We purchased all new furniture and fixtures so that we have a complete new outfit and we are very well pleased with it."

From Mobile, Alabama, V. L. Sibley, assistant cashier of the First National Bank, reports:

"During the past Summer we remodeled the interior of our main lobby, the principal features of which were to install a new acoustical ceiling and a modern fluorescent lighting system, thus doing away with all desk lamps. We also installed a new tile floor and rearranged

Below, left, the compact new building of the First National Bank of Inwood, Long Island, provides many new features



the space of our executive officers to provide for increased room. We generally modernized and brought up to date our tellers cages. . . ."

In commending the number of banks in this group which have included soundproofing and air conditioning in their modernization programs, Mr. Woolley said:

"Soundproofing and air conditioning are two improvements appreciated by customers and employees alike. Efficient banking operations demand that much of the routine be done on machines. The constant clatter of machines is annoying, to say the least. This noise can be reduced 65 to 70 per cent through the acoustical treatment of ceilings and walls.

"One of the greatest advantages of air conditioning is the increase of employee efficiency. This is a very important consideration at this time when the activity of banks is increasing by leaps and bounds while, at the same time, working hours have declined."

A. C. Martin, vice-president of the Okemah (Oklahoma) National Bank, writes that his bank enlarged its officers' quarters and put in low fixtures. Soundproofing the ceiling, he states, has been a great help in reducing the noise in his bank's lobby.

As a result of having outgrown its quarters, the Miners and Mechanics Savings and Trust Company, in Steubenville, Ohio, "built an extension of 30 feet to the rear, utilizing the second floor as a bookkeeping department and the first floor as vaults, built with the latest construction. . . ."

George J. Barthold, president of the Steubenville bank reported further:

"We removed the interior marble work, high counters and windows, replacing them with the 'friendly fixtures' finished in American walnut. The tellers' windows are clear glass, which give visibility throughout the bank and yet has confidentiality at each window on account of the ledge extending in several inches. . . ."

Two unique structural features add to the interest of the new Colonial office of the Lincoln National Bank of Newark, New Jersey. The first of these — instead of the conventional square-type of construction apparent in most banks, the public space is oval, thus insuring a continuous flow of customer traffic to all departments.

The second is a floating vault. The construction of the building made it necessary to suspend the 90-ton steel vault from two large girders, with a margin of about

Public National Bank & Trust Company of New York recently purchased the "Lee-Higginson" building on Broad Street, which, after alterations, will house the main office of the bank, which has outgrown its present quarters. "The comfort and efficiency of its personnel and maximum operating economy" were given as reasons for the move



CENTURY STUDIOS

five-eighths of an inch from the floor, making future moving of the vault possible without the necessity of its being taken apart.

Furnishings are of walnut and this bank also adopted the open tellers' counters.

STANLEY A. NEILSON, president of the Bank of Gowanda, New York, reports that "our lobby was formerly hexagonally shaped with a large wire teller's window on each side and two officers' desks between facing the doorway. This we found inconvenient for handling notes, Christmas Clubs, et cetera, so we completely remodeled the bank."

"We placed our tellers' counter, with four windows, down one side, with modern glass partitions," Mr. Neilson added, "and officers' desks on the opposite side behind low railings, with a private office behind, over which we placed a mezzanine for our bookkeeping machines. We also put in air conditioning and had a mural placed over our vault."

Other improvements included the laying of a blue rubber tile on the lobby floor and blue carpeting in the officers' quarters, Erickson-type front doors, and fluorescent lights.

Decorations were featured prominently by a number
(CONTINUED ON PAGE 69)

Below, left, modernistic tellers' counters in the Trade Bank and Trust Company's new home in New York; right, a vice-president's office at Shreveport's new Commercial National



The Legal Answer Page

Bankruptcy-Assignments

Did Section 60 (a) of the Chandler Act change the import of the word "preference" to include transfers for present consideration if perfected within four months of bankruptcy?

THE Circuit Court of Appeals, Fifth District, answers—No. Such a change in meaning was not made. In the case of *Adams v. City Bank & Trust Co. of Macon, Georgia* [115 Fed. (2d) 453], the trustee in bankruptcy challenged as a voidable preference the assignment of a bill of sale to secure an indebtedness simultaneously created which bill of sale was subsequently recorded within four months of bankruptcy.

On June 24, 1939, the General Box Company [the bankrupt] borrowed \$250 from the City Bank and simultaneously executed a bill of sale to a cutting knife. On September 15, 1939, the Box Company borrowed \$1,650 from the same bank and likewise gave a bill of sale to its stock of chip bending board. On December 18, 1939, while the Box Company was insolvent and when the bank had reasons to believe it was insolvent, the bank recorded both bills of sale. On December 30, 1939, the Box Company voluntarily was adjudicated a bankrupt.

Prior to the Chandler Act, it was universally recognized that there was no preference unless there was a diminution of the bankrupt's estate by reason of the transfer attached. The preference at which the law was directed was one arising when security was given for an antecedent debt. It was argued in the *Adams* case that the Chandler Act had changed the former rule by providing that a transfer shall be deemed to have been made at the time when it became so far perfected that no bona fide purchaser from the debtor and no creditor could thereafter have acquired any rights in the property transferred superior to the rights of the transferee and if such transfer is not so perfected prior to the filing of the petition in bankruptcy, it shall be deemed to have been made immediately before bankruptcy. The Circuit Court of Appeals held that:

"This argument fails to give due weight to the first sentence of section 60, sub. a, of said act, which provides that a preference is a transfer of the property of a debtor 'for or on account of an antecedent debt.' . . .

"Our conclusion is that section 60 does not apply to a transfer entered into, without fraudulent intent, for an adequate present consideration."

This decision, which the Supreme Court refused to review [United States Law Week, March 11, 1941, page 3233] will be welcomed by bankers making loans secured by the assignment of accounts receivable. It would seem that the same principles are involved in notification to accounts receivable of an assignment as are involved in the recordation of bills of sale and therefore this favorable interpretation of section 60 (a) of the Chandler Act gives a go-ahead signal for that type of loan.

Directors' Liability

What is the liability of a national bank director owning only shares furnished him, for funds lost or wasted through transactions in which directors participated? What is the liability of the director furnishing the shares?

THESE questions were before the United States District Court, Southern District of New York, in the case of *Michelsen v. J. C. Penney* [U. S. Law Week, February 25, 1941, page 2496]. The court held the director to whom the shares were furnished to be without any authority to handle the money of the bank.

The director furnishing the shares "was party and privy to the wrongs committed by the directors, and . . . is liable personally for such losses as came to the depositors through the unwarranted and unlawful acts of these dummy directors."

"I must say that I have not been able to find any case that directly supports the ruling I have made. . . . Having regard for the fiduciary nature of the duties performed by a bank director, I feel the result I have reached is inescapable. The purpose of the statute was to see to it that a director, having money of his own invested in a bank, would be alert and diligent in the protection—not only of his own investment, but those of others as well.

"I think it makes no difference whether the directors who were not qualified did or did not constitute a majority of the board. They participated in acts in which they had no right to participate, and it is not my province to speculate as to the extent to which such directors may have influenced the vote of some one of his fellows on the approval of a particular transaction.

Wages and Hours

May an employer who is subject to the Fair Labor Standards Act reduce a wage which is in excess of the minimum charge prescribed by the Act?

IT is true that Section 18 of the Fair Labor Standards Act states that no provision thereof shall justify an employer in reducing a wage paid by him which is in excess of the applicable minimum wage under the Act. However, there is no provision in the Act for enforcement of this section. In view of this failure to provide any penalties, the District Court of Maryland in the case of *Remer v. Czaja* [36 Fed. Supp. 629], refused to consider an action to recover an additional wage from the employer. The court held that:

" . . . this section is not to be construed as limiting the reduction in wages so long as the reduction is not below the minimum prescribed by the Act."

The court goes on to say that although "it may have been the intent of the proponents of this legislation that Section 18 should operate not merely as a declaration of policy but as a mandate, such intent is not expressed in the language employed."



Illustration shows the New York City Home Office of the Metropolitan Life Insurance Company. Head Offices are also maintained in San Francisco, and in Ottawa, Canada. In addition, over 1,100 District and Detached District Offices are maintained throughout the United States and Canada for the convenience of policyholders.

Life Insurance in action!

BY ITS VERY NATURE, Life Insurance is an active, continuing force—a *living force* in the homes of millions who share its benefits.

Last year Metropolitan visited many homes in times of family crisis, for a total of over \$182,000,000 was paid on account of death claims to scores of thousands of beneficiaries of Metropolitan policyholders. Dividends, matured endowments, annuity payments, disability, and health and accident claims, and other benefits paid or credited to living policyholders during the year amounted to more than \$426,000,000. The total of almost \$609,000,000 for payments to policyholders and beneficiaries is

a record high for the Company.

Metropolitan funds, invested for the benefit of its policyholders, continued to play a part in the economic structure of the nation. These funds aided in financing Government activities, helped to keep industry humming and men in jobs, to erect public and private buildings, and assisted farmers to own their farms and to keep them in proper repair. However, the low interest rates generally prevailing continued to have their effect on the Company's earnings and consequently on dividends to policyholders.

Moreover, through its Welfare activities,

its nursing service for eligible policyholders, its research, its health and safety literature and advertising, Metropolitan again contributed to the task of bringing better health to America. The death rate of Metropolitan policyholders as a whole continued to be low, and mortality among Industrial policyholders was approximately the same as the 1939 figure, a record low for this group.

Metropolitan is a mutual life insurance company. This means that the assets of the Company are held for policyholders and their beneficiaries. The value of these assets will ultimately be paid out for their benefit . . . and for them only.

Business Report for the year ending December 31, 1940. (In accordance with the Annual Statement filed with the New York State Insurance Department.)

| ASSETS WHICH ASSURE FULFILLMENT OF OBLIGATIONS | | | OBLIGATIONS TO POLICYHOLDERS, BENEFICIARIES, AND OTHERS | |
|---|--------------------|--------------------|---|--------------------|
| National Government Securities | | \$1,147,603,320.93 | Policy Reserves required by law | |
| U. S. Government | \$1,063,435,444.96 | | Amount which, with interest and future premiums, will assure payment of policy claims. | \$4,665,558,926.00 |
| Canadian Government | 84,167,875.97 | | | |
| Other Bonds | | 1,947,840,273.51 | Dividends to Policyholders | |
| U. S. State & Municipal | 98,597,960.88 | | Set aside for payment during the year 1941. | 112,417,253.00 |
| Canadian Provincial & Municipal | 104,071,903.62 | | | |
| Railroad | 556,382,872.40 | | Reserve for Future Payments on Supplementary Contracts | |
| Public Utilities | 709,433,300.58 | | | 139,378,189.86 |
| Industrial & Miscellaneous | 479,354,236.03 | | Held for Claims | |
| | | | Including claims awaiting completion of proof and estimated amount of unreported claims. | 23,183,629.31 |
| Stocks | | 86,359,622.68 | Other Policy Obligations | |
| All but \$47,952.13 are Preferred or Guaranteed. | | | Including reserves for Accident and Health Insurance, dividends left with Company, premiums paid in advance, etc. | 44,729,420.90 |
| First Mortgage Loans on Real Estate | | 937,226,443.47 | Miscellaneous Liabilities | |
| Farms | 82,104,425.08 | | Liabilities not included above, such as taxes due or accrued. | 32,284,133.01 |
| Other property | 855,122,018.39 | | | |
| Loans on Policies | | 504,549,131.45 | TOTAL OBLIGATIONS | |
| | | | | \$5,017,551,552.08 |
| Real Estate Owned | | 430,945,055.68 | Special Funds | |
| Includes real estate for Company use, and housing projects. | | | | 16,370,000.00 |
| Cash | | 150,740,516.25 | Surplus | |
| | | | This serves as a margin of safety, a cushion against contingencies which cannot be foreseen. | 323,870,084.24 |
| Premiums Outstanding and Deferred | | 90,232,179.03 | | |
| Interest Due and Accrued, etc. | | 62,295,093.32 | TOTAL | |
| | | | | \$5,357,791,636.32 |
| TOTAL | | \$5,357,791,636.32 | | |

NOTE—Assets carried at \$238,267,054.59 in the above statement are deposited with various public officials under requirements of law or regulatory authority. Canadian business embraced in this statement is reported on basis of par of exchange.

Metropolitan Life Insurance Company

FREDERICK H. ECKER, *Chairman of the Board*

(A MUTUAL COMPANY)

LEROY A. LINCOLN, *President*

1 Madison Avenue, New York, N. Y.

Modernization Loan Experience

"THIS year," says the president of a Tennessee trust company, "it looks as if real estate will come into its own, and if one wishes to move it to other hands it will be well to have it reconditioned, simonized and modernized with 'no draft ventilation.'"

This banker's views are expressed in a letter replying to BANKING's request for information about his experience with modernization loans, particularly the uses to which the borrowed money is applied by owners of homes and commercial properties. For the purpose of sampling the record, BANKING asked several banks in various parts of the country for experience reports.

In the Tennessean's opinion, loans for the improvement of a home or a piece of business property are "most constructive and profitable", a view that is shared by others who answered the query. Bankers are fully aware that modernization offers social and economic as well as financial returns. And it is a business booster for the firm that uses its advantages.

THE purposes of these loans vary somewhat throughout the country due to regional factors, but in the main they are familiar enough. Home owners borrow to fix the roof, buy a new heating plant, build an addition, paint the house, make some interior alterations. Owners of business property borrow to purchase air conditioning equipment, lighting installations, new store fronts or furnishings, heating systems, and so on.

"We have made several modernization loans to business firms within the past six years," reports an Oregon banker. "Most of them have been for new store fronts. Although figures are not available, we understand that their business improved due to the better appearance the store presented after reconditioning."

An Alabama bank's loans to commercial firms have "worked out very satisfactorily", most of the proceeds going for lighting fixtures and new store fronts. The business men said they were "well pleased with the results of their outlay", for the pickup in trade as a result of modernization was "quite noticeable."

From a New Hampshire city bank comes word that modernization loans to commercial establishments had been chiefly for new store fronts and general

"A most useful service . . ."

A Kansas bank, writing about its modernization loans, says:

"The money has been used in residences for making improvements and in reconditioning, and in the commercial properties for new fronts, air conditioning, new furnishings and reconditioning."

"We consider this a most useful service to our community and have done considerable advertising to influence people to borrow for the purpose of improving and reconditioning their property."

refurbishing of interiors. Florida's representative said its Title 1 loans had been for generally similar purposes and that it believed the borrowers "have profited thereby."

An Iowa bank in five years has made about 50 loans to commercial establishments ranging from \$2,000 to \$50,000, the total being approximately \$750,000.

"Our experience," it says, "has been very satisfactory and to date practically all of the larger loans have been fully paid and those outstanding are in current condition. It has not been necessary to file a claim with the FHA for payment of any loan of this type."

"The money was used for a variety of purposes, including new store fronts, air conditioning equipment, remodeling, additions, construction of new buildings, general repairs, heating and plumbing systems, elevators, warehouses, insulation, grain storage tanks, gasoline storage tanks, pumps, coal stokers, automatic machine equipment for mining coal, enlargement and equipment of hotels, new power plant, gasoline and trolley busses for a street railway, and Diesel powered switching engines."

"The loans which were for enlargement of facilities of the customer have resulted in substantial business improvements and volume. Loans purely for modernization of present facilities can be said to have resulted in the improvement of the customer's business, or at least in enabling him to maintain his position with relation to competitors."

The same bank also comments on its loans for improving residences:

"The volume of home modernization loans has had a steady growth. Losses on this type of loan have been nominal and benefits to home owners are evinced by the fact that in many cases customers return for additional loans. We have made as many as five or six loans to the same borrower for purposes of home improvement. The money obtained through these loans has been spent chiefly for replacement and modernization of heating and plumbing systems, roofing, siding, additions, general repairs and replacements, both on city and farm property."

A Pennsylvania institution broke down its modernization loans into percentages. Seventy per cent of the credits were extended for single family dwellings, 23 per cent for two to four family houses with or without business firms on the premises, 5 per cent for apartments or flats occupied by four or more families, and 1 per cent for retail or service shops.

Slightly more than 30 per cent of this bank's loans were made for the purpose of painting, papering and interior redecorating, 15 per cent for exterior decorating and resurfacing, 15 per cent for heating repairs and equipment including new installations, 13 per cent for roofing repairs or new roofs; and the balance for structural additions or alterations, including new store fronts, electrical repairs, etc.

An Illinois bank which has disbursed \$500,000 in modernization loans points out that the average home buyer is unable to buy an obsolete house and spend several hundred dollars fixing it. "It must be a complete house, ready for him to move in," says this banker. "It was on this theory that we based the desirability of a modernization program."

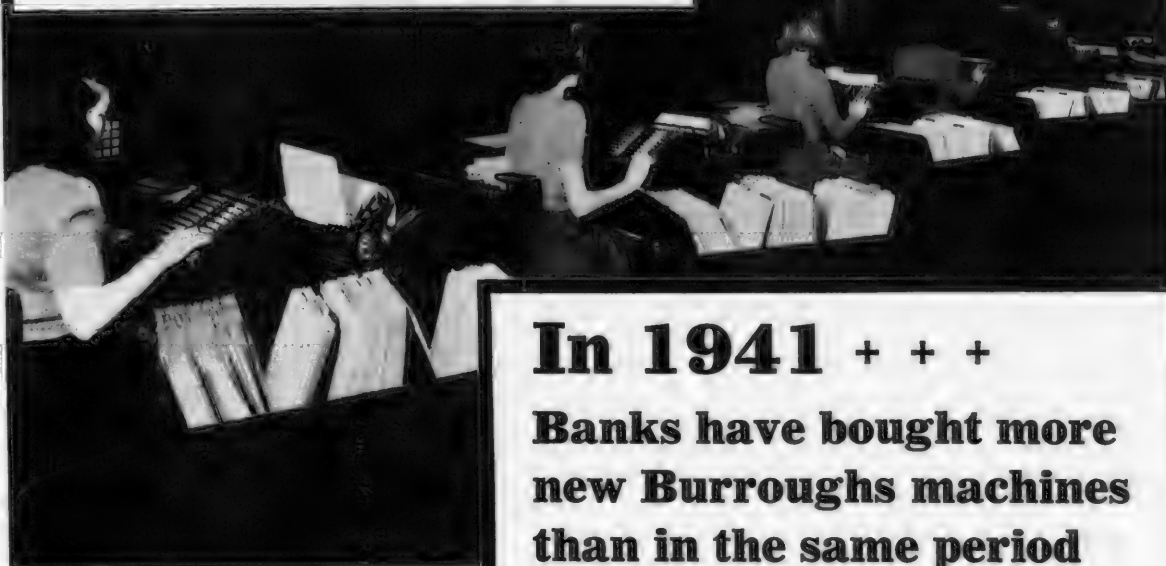
GOING back to the Tennessee banker's story, it might be added that he cited several examples of his bank's profitable investment in modernization. He also stated:

"With business properties, where sales have not yet been made, we have rehabilitated properties to the point of making them desirable tenants and as a result our net income after depreciation is an excellent return—far better than returns from notes and bonds."

BANKING regrets that lack of space prevents a more complete reporting of the replies received in response to its inquiry.

In 1940 + + +

**Banks bought more new
Burroughs machines than
in any year of the past
decade**



In 1941 + + +

**Banks have bought more
new Burroughs machines
than in the same period
of 1940**

By their orders—and repeat orders—banks are expressing their confidence in Burroughs new developments, new machines and new features that meet today's banking problems.

From experience, bankers know these products are of Burroughs standard quality—installed by Burroughs men experienced in helping banks get the most out of their investment in Burroughs equipment—backed by Burroughs factory-trained, factory-controlled service that has long since proved to be convenient, economical and dependable.

BURROUGHS ADDING MACHINE COMPANY • DETROIT, MICHIGAN

Today's **Burroughs**

DOES THE WORK IN LESS TIME—WITH LESS EFFORT—AT LESS COST

Safe Deposit Liability—II

HORACE ERVIN

Last month in BANKING, attention was focused upon the three major causes of insurable claims that originate in the safe deposit vault: (1) Negligence; (2) Mysterious Disappearance; (3) Fraudulent and Erroneous Claims. The present article considers briefly the legal relationship of bank to box renter and analyzes the safe deposit liability insurance policy, showing wherein other forms fail to qualify for its special job. HORACE ERVIN is with the advertising firm of Albert Frank—Guenther Law, Inc.

THE last thing a custodian thinks of when he rents a safe deposit box is the likelihood of fraud or mysterious disappearance. He prefers to think of the customer as a "friend". In many cases he has known the renter for years. When not, he's usually convinced he can "size up" his character and financial worth and thereby safely gauge any hazard involved. Such tacit prediction of circumstance is risky if not completely absurd and the attitude here would greatly improve if seasoned with copious dabs of realism.

Every customer has a counterpart. Potentially he is a claimant, too. He may have a Jekyll-Hyde personality that evidences only one temperament at a time. Nature No. 2 may wait only upon opportunity, if it is criminal; and upon circumstance, if it is harmless. Besides, there are numerous legal implications threaded imperceptibly throughout the operation of a custodian business. You have dealings with joint tenants, heirs, trustees, agents, police with warrant, powers of attorney, letters of authority, et cetera *ad infinitum*.

A BANK's relation by law to its box holder brings us back to the epochal year 1865, when the Civil War ended, Lincoln was assassinated and the first safe deposit company formed. Then a brand new *bailment relationship* sprang into being, one peculiar to financial institutions, by which the depository had certain obligations to its depositors, for which it exacted a substantial annual fee. Very slow and very gradual was the development of this business—banking's stepchild—for the first quarter century (1865–90). But by the arrival of the mauve decade, the safety record these depositories had attained was a matter of wide knowledge and envy, and patronage of the guarded vault began in earnest. In New England between 1868–86 (18 years), only 11 new companies were organized. But in the 14-year period following (1887–1901), seven times that number, or 78, came into being. In the succeeding 14-year period (1902–16), 179 new vaults were opened in New England. Today there are 13,000 of them in the U. S. A., accommodating 14,000,000 boxes. They are 60 per cent rented, according to a test study of 51 vaults having 75,000

boxes, reported by the National Safe Deposit Advisory Council.

The legal relationship of a bank or safe deposit company to its box holder is in most states that of bailee to bailor, where the depository is held to be much in the role of a warehouseman who has accepted property for safekeeping. In New York and Minnesota, a landlord-tenant relationship obtains. The boxholder today shows a tendency to expect of the bank conscientious performance of the unwritten possibilities that custom has assigned to it. These, together with points of usage that favor the bank, may be summarized as:

SAFE DEPOSIT CUSTOM

1. Provide a carefully guarded strong place with space (safe deposit boxes) for protection from loss by fire, flood, theft, accident, et cetera of property or valuables; maintain standard of protection at least equal to that furnished by safe deposit companies of other banks of similar size in the community.
2. Guard against unauthorized access.
3. Guard to renter (a) right of free access, (b) right to control access, and (c) right to privacy.
4. It is not, however, custodian's duty to have knowledge of box contents.
5. Safe deposit company does not accept control of box contents. Possession is deemed to be in the renter.
6. Safe deposit company does not "insure" or "guarantee" safety of property or rights of rentor, but
7. It must use "due diligence" or "reasonable care".

The insurance policy that protects banks from loss through claims arising in the safe deposit department applies no matter what legal relationship exists between depository and depositor. The safe deposit liability policy has two pronounced, tangible benefits: (1) protection and (2) service. Protection is coverage of financial loss following claims. Service is likely to operate oftener. It is investigation of claims—a never-ending job, apparently—which with the expense and time consumed in doing it, gives the policyholder benefits very real for the premium dollar paid. Here in loose language are the policy's three main provisions:

1. **PAYS JUDGMENTS:** Will pay, up to policy limits, all sums which assured shall become obligated to pay through liability for loss, destruction or damage to property in safe deposit boxes.
2. **INVESTIGATES:** Will investigate all claims for loss, destruction or damage made against the bank, and defend in assured's name and behalf suits and other proceedings brought to enforce such claims, even if groundless.
3. **PAYS EXPENSES:** Will pay expenses of (1) adjusting claims not brought to court, (2) litigation itself, including costs taxed against the assured, (3) appeal bond, (4) attachment bond (but not exceeding limit of liability).

The types of property covered are specified as "money, securities, jewelry and all other property." The policy

gives the assurance that the insurance company will not settle any claim or suit other than by paying final judgment, unless you consent otherwise. On the other hand, damages the insurance company pays reduce the protection of the policy proportionately; but reinstatement can be easily made by payment of additional, prorated premium.

The safe deposit liability policy fills its own specialized

need for banks that operate safe deposit departments. The scope of its protection is not extensive as far as other departments in the bank go, but by the same token insurance designed for other branches of banking cannot go to bat for the vaults. Here, to illustrate, are several coverages that seem qualified, but note wherein they are inadequate:

1. *Blanket safe deposit burglary and robbery*: Does not take care of mysterious disappearance, improper entry, employee dishonesty, negligence and fraudulent claims. Anyhow, protection on any one box is limited to 10 per cent of the total carried on all boxes, and covers all kinds of personal property other than money.
2. *Bank burglary and robbery*: Covers only burglary and robbery. But no protection from loss unless assured has kept accurate records (since the bank, of course, doesn't do this).
3. *Bankers blanket bonds*: Examination and record are required in advance of loss, as in Item 2. Also, loss from customers' safe deposit boxes is specifically excluded unless sustained through a dishonest act of an identifiable employee and the bank is found legally liable.

It's the Law

Safe Deposit Facts for All States

This table gives general facts on the legal relationship of a bank or safe deposit company and the extent of its liability to box renters. It is derived from a comprehensive state-by-state study of this subject made by Fidelity and Casualty Company of New York, with whose permission it is reproduced.

| State | Depository's Relationship | Liability | Ordinary Negligence | Loss |
|----------|---------------------------|--|---------------------|--------------|
| Ala. | Bailee | Unlimited | Liable | Must explain |
| Ariz. | " | " | " | " |
| Ark. | " | " | " | " |
| Cal. | " | " | " | " |
| Colo. | " | " | " | " |
| Conn. | " | " | " | " |
| Del. | " | " | " | " |
| D. of C. | " | " | " | " |
| Fla. | " | " | " | " |
| Ga. | " | " | " | " |
| Ida. | " | " | " | " |
| Ill. | " | " | " | " |
| Ind. | " | Statutory: No Liability | | |
| Iowa | " | Statutory: May limit liability but not less than 300 times box rent | | |
| Kans. | " | Unlimited | Liable | Must explain |
| Ky. | " | " | " | " |
| La. | " | " | " | " |
| Me. | " | " | " | " |
| Md. | " | Statutory: May limit liability but not less than 500 times box rent | | |
| Mass. | " | Unlimited | Liable | Must explain |
| Mich. | " | Statutory: \$10,000 liability limit; but renter may assume all risks | | |
| Minn. | Landlord | Statutory: May limit upon own terms | | |
| Miss. | Bailee | Unlimited | Liable | Must explain |
| Mo. | " | " | " | " |
| Mont. | " | " | " | " |
| Neb. | " | " | " | " |
| Nev. | " | " | " | " |
| N. H. | " | " | " | " |
| N. J. | " | " | " | " |
| N. M. | " | " | " | " |
| N. Y. | Landlord | No statutory limit | " | (See note) |
| N. C. | Bailee | Unlimited | " | Must explain |
| N. D. | " | " | " | " |
| Ohio | " | Statutory: May limit upon own terms | | |
| Okla. | " | Unlimited | Liable | Must explain |
| Ore. | " | " | " | " |
| Pa. | " | " | " | " |
| R. I. | " | Statutory: No liability unless assumed | | |
| S. C. | " | Unlimited | Liable | Must explain |
| S. D. | " | " | " | " |
| Tenn. | " | Statutory: No liability for fire, theft, misappropriation | | |
| Texas | " | Unlimited | Liable | Must explain |
| Utah | " | " | " | " |
| Vt. | " | " | " | " |
| Va. | " | " | " | " |
| Wash. | " | Statutory: May limit upon own terms | | |
| W. Va. | " | Unlimited | Liable | Must explain |
| Wisc. | " | " | " | " |
| Wyo. | " | Statutory: May limit upon own terms | | |

NOTE: Claimant must prove.

The Question of Personal Surety

To the Editor:

SURETY companies, in the course of their business, receive each year thousands of financial statements submitted by applicants for bonds to guarantee performance of contracts, bonds in court proceedings, together with many miscellaneous forms of surety undertakings. Many of these financial statements are submitted on forms prepared by surety companies. Many more come in on forms prepared by banks when application is made for credit.

Surety companies know that individuals who sign personal bonds for public officials, for administrators, for guardians, etc. are often called upon to make full reimbursement for losses under such bonds.

It is surprising that bankers passing upon an application for a loan seldom inquire whether the applicant is a personal surety for another individual or individuals and if so whether the liability under such bonds has been legally terminated. Bank forms usually inquire as to whether the borrower is an

(CONTINUED ON PAGE 78)

Government and Consumer Credit

ERNEST M. FISHER

DR. FISHER, *Director of Research in Mortgage and Real Estate Finance, American Bankers Association*, here reviews the book *Government Agencies of Consumer Credit*, by Joseph D. Coppock. (National Bureau of Economic Research, New York City, \$2.50.)

This volume is one in the series published by the National Bureau of Economic Research in connection with its financial research program, and Volume No. 5 in the Studies in Consumer Installment Financing. The rest of the series is doubtless familiar and need not be mentioned by name.

HERE is the most complete statistical analysis of the operations of the modernization loan insurance program of the Federal Housing Administration and the operations of the Electric Home and Farm Authority that has yet been made.

It contains 42 statistical tables in the text and 30 in the appendix. These tables present the experience of the Federal Housing Administration and the Electric Home and Farm Authority, particularly their experience with defaults and claims paid, from an almost confusing variety of points of view. The book is not for light reading, but should constitute a reference work of some value to an individual institution in connection with its own study of defaults and losses.

The author indicates that from the point of view of volume the operations of these organizations are not significant compared with the total volume of consumer credit extended during the period of operation covered.

HE observes, however, that "the modernization insurance program (of FHA) did actually give hundreds of bankers a wider acquaintance with the consumer finance business than they had previously had" and that "participating banks represented 85 per cent of the commercial banking resources and approximately one-third of the number of commercial banks in the country." Though the volume of loans covered by this program may have been relatively small, it is obvious that the influence of the program has been considerable upon consumer financing in the country.

Likewise, the influence of the EHFA

cannot be measured directly, "for its services were available to the less than three million persons receiving electric current from cooperating utilities in the entire nation, and its transactions from 1934 to 1938 accounted for only one-tenth of one per cent of the national retail sales finance volume. . . . EHFA does, however, manifest a new development in Government activity: It worked in successful cooperation with a number of utilities, manufacturers, and dealers, and at the same time competed to some extent with existing sales finance companies."

The following observation is also of interest to bankers: "Almost all assets (of EHFA) have been in 'instalment contracts receivable,' and almost all liabilities 'notes outstanding' to banks. The ratio of capital to borrowed funds was 16 per cent at the end of the fiscal year 1937-38."

THE most interesting generalizations are found in connection with the analysis of defaults and claims paid by the two organizations, which are minutely dissected. The over-all ratio of claims paid on notes insured by the FHA for all types of lending institutions was 5.8 per cent of number of loans and 3.4 per cent of the amount. ". . . the collection experience of commercial banks was better than that of all other institutions taken as a group. Whereas the claims-paid percentage by number of notes insured was 4.4 for commercial banks, it was 8.6 for the remaining types; and whereas it was 2.6 by amount for commercial banks, it was 5.4 for all the other types together. National banks had slightly higher percentages than state banks. . . . There is some indication that the claims-paid percentage varies inversely with the average size of note insured for all types of insured institutions."

Repossessions of EHFA represented 6.6 per cent of the contracts purchased by it from January to June 1937. This repossession experience varied first by the amount of down payment.

"It may be concluded, then," says the author, "that when a purchaser pays down a sizable fraction of the purchase price he establishes in the article an equity so large that it tends to bind him to his contract.

"As length of contract increases the repossession percentage increases also until the term of 30 or 36 months is reached; for contracts extending more than 36 months it declines."

A very interesting observation with respect to the experience of EHFA is that "repossessions terminated nearly 10 per cent of the washing-machine contracts, about 7 per cent of the contracts for refrigerators, combinations, and 'others,' and only about 3 per cent of the range contracts."

The experience of EHFA indicates, as would be expected, "that the repossession percentage would be relatively high when the monthly payment constituted a comparatively large percentage of the income of the purchaser, and relatively low in the opposite case." Unfortunately, the experience of the FHA cannot be analyzed by the ratio of monthly payments to monthly income of the purchaser, but it is a reasonable assumption that it would show the same tendency.

Another interesting analysis is that of claims paid and repossessions by the number of payments made on loan contracts before default. "More than half of the claims-paid cases (of the FHA) made five or less payments on their loan contracts before default. . . . On the average, the same sample of repossession cases (of EHFA) made 12.2 per cent of the number of payments for which they had contracted," and 55 per cent of the repossession cases made five payments before repossession.

THE only inaccuracy or ambiguity this reader discovered in the book is with respect to loan or financing charges. With respect to the FHA this is given in the book as "the total finance charge (including all fees except late charges) was not to exceed 5 per cent per annum on the net proceeds (9.7 per cent per annum interest on the unpaid balance) . . ." The regulations of the FHA provide that the total finance charge "may not be in excess of an amount equivalent to \$5 discount per \$100 original face amount of a one-year note, to be paid in equal monthly installments," from the date of the note.

It is impossible to review even the list of analyses made, but all will interest banks making consumer loans.

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IS THERE a difference between this CRANE kitchen and any other kitchen you might put into a house? Decidedly so! First, the plumbing equipment bears a name which actual surveys show is the *best known* of all plumbing brands—a valuable home-selling asset. Second, the sink is scientifically designed to provide the kind of convenience housewives want. Third, the plumbing has the inherent durability that defies obsolescence... the sturdy construction for which Crane is famous. Fourth, Crane cabinets bear the Quality Tested Seal of Approval of the Steel Kitchen Cabinet Institute. Put those

facts together and you have the reasons why Crane-Equipped houses are better security—and why so many mortgage lenders prefer Crane from an investment standpoint. Visit a Crane Display Room—see and judge Crane “security” in every price range.



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Stretch Your Purchasing Dollar

HOWARD ZINSMEISTER

Mr. ZINSMEISTER is treasurer of the Syracuse (N. Y.), Trust Company.

RECENTLY we effected a 33½ per cent savings in our check costs by changing our method of purchasing. Perhaps the story of our experience contains some points that are of interest to others.

Under our old purchase plan, whenever the supply of checks was running low we called in a local lithographer whom experience had proven was a reliable and good workman. After estimating our requirements over the next couple of years, we would authorize him to purchase for us a sufficient quantity of the selected safety paper to fulfill our needs. This usually resulted in an investment of about \$2,000 in paper. Our lithographer would then make up a supply of the various kinds of checks used and bill us at the time for the lithography, shipping only what we needed for current use. The balance, both of paper and lithographed checks, was held in his warehouse for our account. When we needed imprinted checks, the order would be filled by him under separate billing.

FRANKLY, as treasurer of the bank, I never was reconciled to this system of purchasing. It meant that in the report on operations to the directors it was necessary occasionally to report a large paper purchase or a substantial lithography charge which would distort the operating picture for the month in which the debit was incurred, and prevent accurate month-to-month comparisons. In addition, with the three separate charges for paper, lithography and imprinting, it was impossible to compute check costs on a unit basis. Likewise, with the inevitable spoilage, it was exceedingly difficult to ascertain an exact inventory at any given time. However, our lithographer was doing a good job for us and it was quite by accident that we stumbled upon the system now being followed.

It all started when I ordered some imprinted checks for my personal checking account. By coincidence, when the lithographer delivered them, a competitor's representative was at my desk. To get rid of him with dispatch, I proudly tore open the package to show

by example what a fine job was being done for us. As luck would have it, this was one of the few times the lithographer had slipped. The checks were delivered minus the illustration of our bank building—the basic feature in our check design.

This, of course, opened the door. The competitor promptly had his art department submit a drawing illustrating their idea as to what could be done in check design, using our building as the main feature of the check. The drawing clicked, right away.

BUT no matter how pleased we were with the check design, we had determined not to be extravagant. We had some misgivings in this instance, as it was an out-of-town firm which submitted the sample, and in all probability it could not meet local competition on a price basis. However, we accepted its offer of a detailed survey of our requirements preliminary to the firm's recommendations as to prices and purchasing procedure. At this point we were warned that the company had a one-price policy—the price once given could not be altered to meet competition.

The survey contained a detailed analysis of our check consumption by type of check, as well as of our check-book and passbook needs. It proposed a check-purchase plan so sound that we wondered why it had not occurred to us, and why it isn't the established procedure for the purchase of all bank supplies.

Under this arrangement, the supplier, having obtained an accurate estimate of the bank's requirements, sells us, as needed, all our checks, check covers and passbooks, at fixed prices, for an unlimited term. The supplier knows approximately how much stock he should have on hand at all times, and we order only as the items are needed, paying only as the finished goods are delivered. Both supplier and bank are protected against changes in manufacturing costs, as the established scale can only be altered by mutual consent.

The system has many advantages over our previous procedure. It eliminates the heavy investment in paper stock, as we requisition our check supplies only as they are needed and pay for them at a fixed rate per thousand as

they are delivered. The check manufacturer—rather than the bank—stands the loss on waste and spoilage, which under the old system probably ran as high as 10 per cent. Our prices are stabilized at fixed rates per thousand, so that we know exactly what our annual check costs will be, and our expenses are today spread fairly evenly, making possible a more accurate operating picture. We have more attractive checks, printed in different colors to designate different accounts and purposes, at a substantial saving in cost.

Also, our customers' imprinted checks are handled promptly, and the imprinting charge—passed on to the customer—also defrays a portion of the manufacturing expense. Our checks are manufactured of a true safety paper, not available in the open market, with self-revealing "voids", and are covered by performance guarantees which protect customers and the bank against loss from alteration, forgery or counterfeiting. Our official drafts and checks are serially numbered in advance by the manufacturer, and so enable us to maintain absolute control, both of the cost and the issuance.

Furthermore, by using check covers, instead of bound books, we again effect a saving and at the same time provide our customers with attractive, lasting check containers. Finally, the savings under this system will approximate 33½ per cent of the previous costs.

INCIDENTAL to the adoption of this new system, we also obtained at least two other definite benefits arising out of the survey. One is the adoption of a pay-as-you-go check service which, in four months has brought in over 1,000 new accounts. The other was the adoption of a duplicate form for official checks and drafts, which has cut our bookkeeping of these items in half, has done away with customer delays, and by eliminating two posting operations, has greatly reduced the possibility of errors.

All in all, we can attest enthusiastically to the advice in the American Bankers' Association's booklet, "Purchasing of Bank Supplies", that purchasing officers consider carefully the suggestions offered by bank supply salesmen, as being often based upon proven results in other banks.

How to find Hidden Profits in old buildings



...modernize
them with
Pittco Fronts



NEW TENANTS RENTED space and old tenants signed long-term leases when the Kennemer Building in Dallas, Texas, was modernized with a new Pittco Front. Those responsible for this Pittco remodeling write: "We are so well pleased with the job that we are contemplating changing another business block in the same manner." Note panels of PC Glass Blocks in both end stores of this Kennemer Block. Architects: Fooshee & Cheek, Dallas, Texas.

EVERY day more bankers are amazed at the way Pittco Fronts transform worn-out, old-fashioned properties into handsome buildings, alive with activity. Dingy ones grow bright again. Shabby ones take on a trim, spruced-up look. And the character of these buildings keeps pace with the vastly improved appearance a shining Pittco Front gives. That's because a Pittco-modernized building competes with newer buildings in attracting and holding desirable

tenants — the kind who sign profitable, long-term leases.

If you have unprofitable business properties on your books, gleaming new Pittco Fronts will make a world of difference in their appeal—to tenants and to customers of those tenants. Alert merchants are conscious of the business-building qualities of a Pittco Front, are glad to pay good rentals for Pittco-improved shop space. Result: the increased income from a remodeled building soon pays for the

cost of the Pittco Front.

Actually, a Pittco Front increases returns on total investment in the building concerned — makes that property more valuable — often improves real estate values for the entire area in which the building is situated. Because of this you'll find that money loaned for Pittco-remodeling purposes is almost always a good investment. Send the coupon for our new, illustrated booklet showing forty typical Pittco installations.

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Please send me your new, free booklet in which are photographs and descriptions of 40 typical Pittco Store Front jobs, representing 19 different kinds of businesses in 38 cities.

Name

Street

City State

Heard Along MAIN STREET

This material is compiled for BANKING by Albert Journeay, who is in charge of the Purse Company's Chicago office.

ANGUS McMILLAN, age 82, oldest banker in Johnson County, Texas, would like to retire from the banking business but his customers won't let him.

Last year Mr. McMILLAN posted a notice on the front door which said his bank was to be liquidated and closed. His depositors paid slight heed to it. They continued to make deposits and to borrow money.

"It looks like I can't quit" said Mr. McMILLAN, "these folks are my friends and they seem to need my little bank, so I guess I'll stay with them as long as they want me."

★

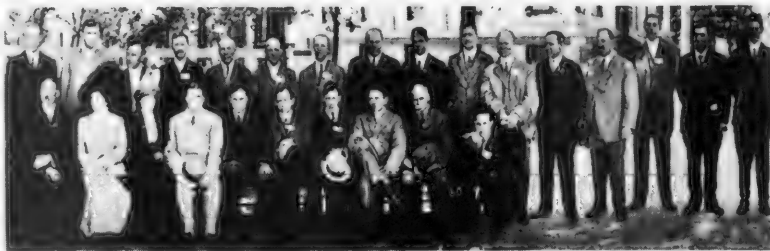
THE NATIONAL emphasis on defense has greatly increased the interest in firearms. In the National Bank of Detroit this interest has been translated into an active competition in pistol shooting between 12 three-man teams composed of the bank's officers.

Not content with having one of the finest bank police forces in the country, these officials have set out to perfect their own marksmanship and a number of them have developed into crack shots.

The bank's target range, sound-proofed, is located in the basement.

ALVAN MACAULEY, JR., assistant vice-president, was leading the league with a sparkling 41 average when this was written. Close on his heels was Vice-president SCOTT CARPENTER.

MARKSMAN MACAULEY



"Way back when" the Idaho Bankers Association and many of us were young, the above picture was taken. It shows those attending the association's convention held at Coeur d'Alene in 1912.

The tall and serious gentleman, seventh from the left, in the front row is A. E. REID, now president of the Washington Bankers Association, and executive vice-president of the Old National Bank and Union Trust Company, Spokane, to whom we are indebted for the picture.

When the photo was taken Mr. REID was cashier of the Bank of Spirit Lake, Idaho. In 1915 he became vice-president of the First National of Coeur d'Alene and later an executive of the Old National Bank.

LEADERS of industry and banking joined with the 60 Chicago district lodges of the Brotherhood of Railroad Trainmen in honoring Colonel WILLIAM G. EDENS, who is now vice-president of the Terminal National Bank, Chicago.

Colonel EDENS received a veteran's button in token of a long career in railroading which began in 1878 when he started as a brakeman on the Indianapolis, Cincinnati and Lafayette Railroad, now part of the Big Four. He later worked for the Pennsylvania, Wabash and New York Central, and also held various positions in the Brotherhood, including that of vice-grandmaster (1887-90).

Tribute to Colonel EDENS was paid by ROBERT P. VANDERPOEL, financial editor of the Chicago *Herald Examiner*, on the occasion of Mr. EDENS' announcement that he had actively re-entered banking at the Terminal National Bank of Chicago.

"Few men and probably no other banker in the United States have a wider acquaintance throughout the nation than Colonel EDENS. He is loved and respected from coast to coast," commented Mr. VANDERPOEL. "Thousands of bankers in city and hamlet, in every corner of this country, know 'Col. Bill,' and will tell you he is 'true blue, all wool and a yard wide,' etc.

"Nine years ago Colonel EDENS retired. At least, so he writes to us. Certainly, we never suspected it, for during those nine years he has travelled all

over the United States, has attended every national bank convention and a great many of the state gatherings, and has also been to many railway labor meetings.

"Colonel Bill now writes to us that at the age of 77 he has re-entered 'the banking business actively at the Terminal National Bank of Chicago, a growing, well-managed institution.'

"He adds: 'The defense program of the Government has created an increased demand for bank loans and a consequent desire for additional deposits. I have volunteered to assist the officials of the Terminal in securing new business.'

"It is our guess," concluded Mr. VANDERPOEL, "that he will do just that!"

★

DALE BROWN, advertising manager, National City Bank of Cleveland, serves as an example of how a bank officer may help in building favorable public relations for his institution.

Mr. BROWN is an accomplished and popular public speaker. In the past year he has given 33 addresses before audiences totalling 10,500 persons. Seven of these were before high school groups, the others before varying groups including luncheon clubs, women's clubs, sales meetings, public groups, and conventions.

Mr. BROWN does not talk banking, though the audience always knows his association with his bank. His favorite subject is "Personality Development."

In addition to his forensic activities Mr. BROWN is active in many organizations. He is on the executive council of the Boy Scouts of America for the Cleveland area, on the board of trustees of the Citizens League, and is treasurer of the Cleveland Adult Education Association, the Greek Relief Association, and the Cleveland Opera Theatre.

★

AN INTEREST in Abraham Lincoln which began some 26 to 28 years ago, when as a grade school student he came in contact with the story of the Great Emancipator, has developed into an absorbing hobby for FRANK C. O'BRIEN, vice-president, Northwestern National Bank and Trust Company, Minneapolis.

Through the years Mr. O'BRIEN has gathered a sizable Lincoln library. He has made several trips to Salem and to Springfield and is interested in anything and everything that has to do with Lincoln. During one of his recent visits to Springfield, Mr. O'BRIEN had lunch with a veteran who was corporal of the guard at the time the body of Lincoln was brought to where people then thought would be his final resting place.



MR. O'BRIEN

Mr. O'BRIEN is frequently called on to address various groups interested in Lincoln.

★

JOHN A. THORNBURGH, president of the Forest Grove (Oregon) National Bank, holds high rank as an agricultural and civic leader in the Pacific Northwest. Mr. THORNBURGH was one of those responsible for the rapidly increasing filbert growing industry in Oregon. His first planting of filberts was

in 1923. Today his 175 acre grove is said to be the largest filbert grove in the world.

In addition to banking and farming Mr. THORNBURGH has contributed much by way of public service. He served for two years as county recorder, for three terms was mayor of Forest Grove, and for three terms as councilman. He was a member of the state legislature and during the World War was county chairman of the Liberty Loan drives.

He has been twice president of the Rotary Club, president of the chamber of commerce for two terms, and is now a member of the local draft board.

STEPHEN M. FOSTER, for 10 years associated with City Bank Farmers Trust Company, New York, has joined the staff of New York Life Insurance Company as an economic adviser.

Mr. FOSTER, author of "Credit Supply and Demand" in March BANKING, served as economist in the bank's investment department, specializing particularly in the factors affecting the movement of money rates, security prices, and business activity.

Born in Derby Line, Vermont, in 1894, Mr. FOSTER spent his early years in Ottawa, Canada, where his father, JOHN G. FOSTER, was for 30 years Ameri-



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BOND DEPARTMENT
**The First National Bank
of Chicago**

can Consul General. Following his graduation from Harvard in 1916, he entered Massachusetts Institute of Technology to study engineering, leaving in 1917 to enter the Army. After two years abroad, he was discharged as captain.

Mr. FOSTER joined the staff of City Bank Farmers Trust Company in 1931, and during the intervening 10 years has written and spoken widely on various financial subjects. He is a member of the faculty of Columbia University and gives regular courses at the American Institute of Banking on the interpretation of current financial problems.

THIS IS AN item about a bank customer. Seventy-two years ago last February 25, Miss WILHELMINA WILKINSON PHELPS opened the first account in the Trust & Deposit Company at Onondaga, Syracuse, New York. The anniversary this year found her still an active checking account customer of the bank, now the First Trust & Deposit Company.

A. B. MERRILL, the institution's president, writes a letter to Miss Phelps, now living in Northampton, Massachusetts, on each February 25. The daughter of DUDLEY P. PHELPS, first president of the bank, she opened Account No. 1 when the institution began

business in 1869 in four basement rooms of a Syracuse building. Her long association with the bank was a feature of its 70th birthday celebration, at which time she wrote:

"It is 35 years since I have lived in Syracuse, but the knowledge that I still have an account with the First Trust & Deposit Company is a tie to many sacred memories."

★

HARRY C. HAUSMAN, secretary, Illinois Bankers Association, is one of the 23 members of an advisory committee recently appointed by Governor Green in what is said to be the "biggest program of tax reform and governmental systematization ever undertaken in Illinois."

In appointing the committee the governor said: "My purpose in asking the committee to serve is to devise practical ways and means of achieving the maximum of effectiveness and equalization in tax collections and effectiveness of economy in the operation of state and local governments in Illinois."

★

IF DESCRIPTIVE titles interest you, the one applied to the ice hockey team representing the Dime Savings Bank of Brooklyn, New York, in an inter-bank competition, deserves high ranking. The team is called "Frozen Assets."

★

THE MARCH issue of the "Atlantic Monthly" contained an article entitled "A Bible Goes Home". The author is THORNTON COOKE, president of the Columbia National Bank of Kansas City. The article relates Mr. COOKE's experiences in returning to the First Presbyterian Church, Wilmington, North Carolina, a bible which his father, a Civil War Veteran, had purchased during that war from a Union soldier.

(CONTINUED ON PAGE 56)

MR. COOKE



DEALERS IN
UNITED STATES GOVERNMENT
STATE AND MUNICIPAL
SECURITIES

BANKERS TRUST COMPANY
NEW YORK

A STRONG STRUCTURE

The benefits accruing from business conducted on a sound conservative basis are readily apparent to all in times of emergency. Departure from a tested course of action may pass unnoticed as long as there are no clouds in the business horizon nor destructive conflagrations, but when the inevitable storms appear financial weakness will probably develop if sound stable procedure has been forgotten.



ON A STRONG FOUNDATION

Each conflagration, each business depression has left the companies of the Commercial Union Group still protecting the property of their policyholders, still meeting every obligation unfailingly and promptly. This record has justly earned for them a reputation for courage and business integrity not surpassed by any organization serving the American public and business world. Further proof of their stability is given in the figures below.



UNQUESTIONED FINANCIAL STRENGTH

UNITED STATES RESOURCES AS OF DECEMBER 31, 1940

| | * TOTAL ADMITTED ASSETS | RESERVES FOR LIABILITIES | POLICY- HOLDERS * SURPLUS | SECURITIES DEPOSITED AS REQUIRED BY LAW | MARKET VALUES (see note below) ADMITTED ASSETS | POLICY- HOLDERS SURPLUS |
|--|-------------------------------|--------------------------------|---------------------------------|--|---|-------------------------------|
| Commercial Union Assurance Company Ltd.† | \$13,976,690 | \$7,037,185 | \$6,939,505 | \$1,035,604 | \$14,257,309 | \$7,220,124 |
| The Ocean Accident & Guarantee Corporation Ltd.† | 18,442,360 | 12,771,250 | 5,671,110 | 921,312 | 18,980,099 | 6,208,849 |
| American Central Insurance Company | 7,216,463 | 2,753,440 | 4,463,023 | 395,907 | 7,455,417 | 4,701,977 |
| The British General Insurance Company Ltd.† . . | 1,304,563 | 481,214 | 823,349 | 641,274 | 1,403,700 | 922,486 |
| The California Insurance Company | 5,123,419 | 1,761,201 | 3,362,218 | 343,909 | 5,334,057 | 3,572,856 |
| Columbia Casualty Company | 8,604,420 | 4,688,584 | 3,915,836 | 693,380 | 8,836,036 | 4,147,452 |
| The Commercial Union Fire Insurance Company . | 2,873,544 | 1,108,470 | 1,765,074 | 288,334 | 2,969,896 | 1,861,426 |
| The Palatine Insurance Company† | 3,158,505 | 1,214,470 | 1,944,035 | 636,800 | 3,285,335 | 2,070,865 |
| Union Assurance Society Limited† | 2,626,509 | 1,209,660 | 1,416,849 | 641,987 | 2,700,022 | 1,490,362 |

†U. S. Branch

*If all Bonds and Stocks owned were valued on the basis of December 31, 1940, Market Values, the Total Admitted Assets and Policyholders' Surplus would correspond to the amounts shown in the columns at the right.

COMMERCIAL UNION GROUP

COMMERCIAL UNION ASSURANCE COMPANY, LTD.
AMERICAN CENTRAL INSURANCE COMPANY
COLUMBIA CASUALTY COMPANY
THE PALATINE INSURANCE COMPANY, LTD.

THE CALIFORNIA INSURANCE COMPANY
CHICAGO

THE OCEAN ACCIDENT & GUARANTEE CORPORATION, LTD.
THE BRITISH GENERAL INSURANCE COMPANY, LTD.
UNION ASSURANCE SOCIETY, LIMITED
THE COMMERCIAL UNION FIRE INSURANCE COMPANY

NEW YORK

ATLANTA

SAN FRANCISCO

HOME OFFICES, ONE PARK AVENUE, NEW YORK, N.Y.

(CONTINUED FROM PAGE 54)

ANOTHER name has been added to the list of members of Bank of America's Quarter Century Club which is composed of those having 25 or more years of continuous service with the bank.

He is **RUDOLPH NOLTHENIUS**, assistant chief inspector for the institution's San Francisco inspection department, who was recently presented with a jeweled and gold pin bearing a facsimile of the old sloop of war, *S.S. Portsmouth*, used as a symbol on the official seal of the bank. The presentation was made on behalf of **L. M. GIANNINI**, president.

Mr. NOLTHENIUS began his banking

career as a bookkeeper with the old Citizens National Bank in Alameda (now the Bank of America) on February 21, 1916. He is a charter member of the American Legion.

In further recognition of his long service, **Mr. Nolthenius** now becomes eligible for annual vacations of one month with pay.

★

PHILATELY has become a profitable by-product of banking for the National Bank of Topeka. **HARRY SCHAFER**, assistant cashier and auditor, reports that the bank profits annually to the extent of \$500 to \$600 on the increasing value

of certain stamps which are collectors' items. Other banks, he says, are making as much as \$1,000 a year in this manner.

In the Bank of Topeka the idea was born some two years ago on the suggestion of **HARRY LEE**, the building superintendent, whose hobby is stamp collecting. In watching for new issues of stamps available at the post office **Mr. LEE** began watching for similar issues for the bank.

Here's the procedure: The bank buys stamps in sheets to use for postage. It saves the group of four in the lower right-hand corner of each sheet, for this block carries the plate number of the sheet which collectors seek. These blocks are preserved, uncanceled, for future increase in value. The remainder of the sheet the bank sends out as postage on outgoing packages. When these go to old customers it sends a note and a return envelope requesting the customer to tear off and return the canceled stamps. The returned stamps are also preserved.

Mr. SCHAFER periodically makes up catalogues of the bank's collection and submits them to dealers and collectors who form the bank's stamp market.

★

MORE THAN 750 "Veteran Employees of Private Enterprise"—men and women who have a record of more than 35 years of continuous service with a Bay Area firm—were recently honored at a banquet in San Francisco.

Prominent among the veterans was **JOHN D. MCKEE**, chairman of the board of the American Trust Company. **Mr. McKEE** in 1893 succeeded his father as cashier of the then Tallant Banking Company, an institution founded by the elder **McKEE** in 1850.

When this company was sold to the Crocker National Bank in 1898, **Mr. McKEE** became an organizer of the Mercantile Trust Company, later the American Trust Company.

★

GEORGE H. HAMILTON, president, Federal Reserve Bank of Kansas City, is the victim of having been born a few months too soon. Because his 65th milestone is on April 4, 1941, he cannot be elected to an ensuing five-year term in the office he has so admirably filled for the past nine years. **Mr. HAMILTON** was born near Wellington, Illinois, on April 4, 1875. If this event had occurred the following March the Tenth District could have continued in office a man who has given eminently satisfactory service.

(CONTINUED ON PAGE 58)



Mail and Messenger Division

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO

Member Federal Deposit Insurance Corporation

TWO FINANCIAL STATEMENTS

(December 31, 1940)

OF INTEREST TO BANKS AND THEIR CUSTOMERS

LIBERTY MUTUAL

INSURANCE COMPANY
BOSTON

| ASSETS | |
|--|------------------------|
| INVESTMENTS: | |
| U. S. Government Securities and Guaranteed Obligations | \$26,842,986.85 |
| State and Municipal Bonds | 874,276.70 |
| Public Utility, Railroad and Other Bonds .. | 17,535,826.84 |
| Preferred and Guaranteed Stocks | 468,140.00 |
| Other Stocks | 3,981,195.00 |
| Home Office Building | 2,133,467.28 |
| Other Real Estate, and First Mortgage Loans .. | 82,624.64 |
| TOTAL INVESTMENTS | \$51,918,517.31 |
| Cash in Offices, Banks and Trust Companies .. | 23,098,015.65 |
| Premiums in Course of Collection (Net) — | 3,780,759.82 |
| None over ninety days due | 246,154.68 |
| Interest accrued on Investments | |
| TOTAL ADMITTED ASSETS | \$79,043,447.46 |

| LIABILITIES | |
|---|------------------------|
| RESERVES FOR: | |
| Insurance Losses; this provides for payments not yet due on accidents which have already occurred | \$42,567,674.00 |
| Premiums not earned on date of statement .. | 10,936,686.00 |
| Dividends payable on policies which expired during 1940 | 1,222,478.00 |
| Taxes Accrued, payable in 1941 | 734,125.06 |
| Expenses accrued and sundry accounts payable .. | 1,396,583.10 |
| Reserve for Dividends on unexpired policies .. | 5,025,000.00 |
| Reserve for Investment fluctuations | 2,625,000.00 |
| Reserve for other Contingencies | 3,500,000.00 |
| General Surplus (Includes Guaranty Fund of \$250,000.00) | 11,035,901.30 |
| TOTAL LIABILITIES, RESERVES AND SURPLUS | \$79,043,447.46 |

Bonds which qualify for amortization under Insurance Department regulations are valued on an amortized basis, and all other bonds and all stocks are at December 31, 1940 market quotations. Home Office Building is at cost, less depreciation. Securities carried at \$3,444,832.80 in the above statement are deposited as required by law.

UNITED MUTUAL

FIRE INSURANCE COMPANY
BOSTON
(New York Insurance Department basis)

| ASSETS | |
|--|-----------------------|
| Cash in banks and on hand | \$2,463,810.50 |
| United States Government securities and guaranteed obligations | 1,883,072.35 |
| State and municipal bonds | 168,473.50 |
| Public utility, railroad and other bonds | 2,669,366.10 |
| Preferred stocks | 64,550.00 |
| Other stocks | 826,768.00 |
| Premiums in course of collection (net) — none over ninety days due | 672,281.24 |
| Accrued interest on investments | 33,981.43 |
| Reinsurance recoverable on paid losses | 5,108.23 |
| Total admitted assets | \$8,787,411.35 |

| LIABILITIES | |
|--|-----------------------|
| Reserves for: | |
| Losses in process of adjustment | \$248,463.74 |
| Unearned premiums | 4,403,960.49 |
| Accrued taxes | 84,000.00 |
| Expenses and miscellaneous liabilities | 89,584.90 |
| Reserve for dividends on unexpired policies .. | 290,000.00 |
| Reserve for contingencies | 170,000.00 |
| Guaranty capital | \$ 100,000.00 |
| Net surplus | 3,401,402.22 |
| Total | \$8,787,411.35 |

Bonds which qualify for amortization under Insurance Department regulations are valued on an amortized basis, and all other bonds and all stocks are at December 31, 1940 market quotations. Securities carried at \$426,241.50 in the above statement are deposited as required by law.

LIBERTY MUTUAL and UNITED MUTUAL have been closely associated for 23 years to provide a complete insurance service—compensation, liability, automobile, burglary, fidelity, forgery and fire—to banks, their customers, business concerns and individual property owners. ¶ In 1940 premium income, assets, dividends to poli-

cyholders, surplus and the number of policyholders protected were at the highest level in the history of both companies. ¶ A complete report of operating results will be sent to responsible insurance buyers on request—without obligation. Write Liberty-United, 175 Berkeley Street, Boston, Massachusetts.

(CONTINUED FROM PAGE 56)

While the Tenth District Committee suggested to the banking authorities in Washington that the Kansas City election be on a year-to-year basis or that President HAMILTON commit himself to resigning on his 70th birthday the authorities held that this would be adverse to an orderly handling of the appointments in the twelve districts.

★

A. L. M. WIGGINS, chairman, Committee on Federal Legislation, American Bankers Association, president, Bank of Hartsville, South Carolina, vice-president, A.B.A. State Bank Divi-

sion, and publisher, Hartsville *Messenger*, was elected first vice-president of the South Carolina Press Association at its mid-Winter Institute held at Columbia, S. C. According to tradition he will succeed to the presidency of the association.

Mr. WIGGINS conducted a round table discussion on "The Business Side of Operating a Country Newspaper" at the Institute. He has been publisher of the *Messenger* since 1921. He is also vice-president and managing director of the J. L. Coker & Company Department Store, treasurer of Coker's Pedigreed Seed Company at Hartsville, and owner of the Hartsville Press.

A BANKER will be the new junior Senator from Arkansas. LLOYD SPENCER, president, the First National Bank of Hope, Arkansas, has been selected by Governor ADKINS for appointment to the United States Senate to fill the unexpired term of Senator JOHN E. MILLER who has been named to a Federal judgeship. Senator SPENCER is a close friend of the Governor's and an ardent supporter of President ROOSEVELT.

The new Senator served in the



Senator Spencer

Navy during World War No. 1, is at present a lieutenant-commander in the Naval Reserve. He has served as president, vice-president, and secretary of the Arkansas Bankers Association and as Arkansas' vice-president of the A.B.A. He has had wide and successful experience in banking, livestock raising, and farming, and to quote the governor "has a touch with the rank and file throughout the state."

★

AFTER 16 years of married life, MILDRED K. CRAWFORD, wife of ALLEN CRAWFORD, vice-president of the Bankers Trust Company, Detroit, has decided to return to college and get her degree as Bachelor of Science, which she renounced in favor of matrimony.

Accompanied by their seven-year-old daughter, Susan, Mrs. CRAWFORD departed in mid-February for Central State Teachers College at Mt. Pleasant, Michigan, where she and Susan will keep house in a small apartment near the college campus, and where both mother and daughter will attend classes. Mrs. CRAWFORD will require approximately a full school year in order to obtain her degree, but hopes to lighten the last semester of her work by attending Summer school, if possible.

ST. LOUIS

Center of a Great Trade Territory

Within a 500 mile radius of St. Louis live over fifty-million people. To a large proportion of these, St. Louis is the nearest large city, easily accessible . . . the headquarters of supply and demand.

To the vast amount of normal trade centering in and about St. Louis we must now consider the increased commercial and industrial activity brought about by military and defense requirements. More than ever, the advantage of a good St. Louis banking connection is readily apparent.

To correspondents, Mercantile-Commerce offers a valuable, efficient financial service in the center of this active territory . . . a service based upon extensive facilities and the cumulative banking experience of eighty-four years.

MERCANTILE-COMMERCE

Bank and Trust Company

SAINT LOUIS

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

From a Bank Customer

Dear BANKING:—

To tens of thousands of small-town people who migrate annually to the large cities, city banking methods seem pretty strange. Large advertisements in the papers urge them to become depositors, to start savings accounts, or, if their cash assets are scant, to enjoy the convenience of a ten-cents-a-check account. The ads look very cordial, but when the new resident of the city actually goes into the bank, the atmosphere is somewhat different. Impersonal, mechanical, even chilly. Not a bit like Mr. John Graves, president of the First National at home, or Russell Evans, who has been cashier and teller at the Citizens National since I can remember.

Small-town people who move to the cities are nobody's fools. They know all the reasons for the city bank's strict rulings, its cool reception of everyone, even a depositor. They know that identification is a real problem in the big city (where the tellers don't know your father and grandfather, as Mr. Evans always has), and that economical management demands that you wait your turn in a long line.

If they want me to start an account, the newcomer reflects, and advertise to say so, why don't they act human when I come in to do that? Must they have the air of doing me a favor when they take my money?

It might be profitable for all city banks to sort their depositors by some simple method, and have an officer greet the new arrivals from smaller cities and towns with special cordiality, whether their accounts are small or large.

People moving to, say, New York from Elberton, Georgia, or Cedar Falls, Iowa, are upset about a number of the mechanical details of life; it takes a considerable period, sometimes even years, for them to shake down and submit without irritation to the minor indignities of the city. It's too much to have the bank teller act as if you are a forger when you try to cash a cashier's check signed by good old Russell Evans.

For many new residents, city bank regimentation is so unpleasant that they decide to leave their funds permanently with Mr. Graves. Many thousands of New Yorkers still use the bank back home, for no better reason than this.

If the city banks actually want more

accounts, even these days, a little Rotarian spirit with the newcomers would get a lot of them. The banks of course can't afford to hold the hands of these people indefinitely, but later on they will learn to submit more philosophically to large-city brusqueness and speed. And some of them may mean real business some day. You can't tell when a local boy may make good in the big city!

Even if he has only a cheap "put-and-take" account, if you want the cus-

tomers at all, you shouldn't ask him to stand in one line ten minutes to put in his money and get some cash, and then line up again like a draftee to get a new checkbook or to verify his balance.

The only time he is whisked in swiftly, and treated with deference, is when he wants a loan. He knows why this is—that any application looks good these days. But the impressive welcome given the applicant strikes the small-scale, conservative depositor as strange.

HELEN



Realizing the value and importance of modern, efficient farm tools, bankers have been a potent force in the promotion of prosperity of rural communities. In offering a helping hand to deserving farmers who lack the ready cash for buying needed tools and power, bankers have helped those farmers to become better customers for all business places in the community.

This year bankers and MM dealers will again be cooperating to bring more MM tractors and machines to deserving farmers in their communities. In doing so, they'll be performing a service not only to the farmers themselves but to the community as a whole, and indirectly the whole nation.



Above: Universal "Z" 24 row 2-3 plow tractor and Harvester "69"—one man operation. The Mighty Masters of all Crops.



Above: The Harvester 12 foot — original light weight, big capacity combine for all crops — world's largest seller in that size.

MM Tractors and machines will this year bring to more farmers new dependability in performance and new economy in operation.

Below: "J" Harvester — offered in 6 and 8 foot sizes — one or two man operation.



Building into the Community

FREDERIC C. MORSE

Mr. MORSE is chairman of the board of the Fidelity State Bank and president of the Mutual Deposit and Loan Company of Austin, Texas.

NO bank or savings institution attains its greatest success until it really becomes a part of the community where it does business. This comes only over a long period of years and as the

result of continuous effort to serve its customers in the truest sense of the word. With modern methods in advertising and the installation of new services, however, the process may be quickened.

Newspaper advertising is regarded very highly by all financial institutions, but there are even better ways to get closer to the people. A certain savings institution, after reaching its 20th anniversary recently, became dissatis-

fied with its growth and hit upon the idea of making a survey—Gallup style—of the community. The officers wanted to find out what the people really thought of their shop and how well known it was.

They were greatly surprised and shocked to learn that 51 per cent of the people in the town did not know what business it did and 38 per cent did not know where it was. As the institution was of pretty good size, the officers had smugly imagined that everybody knew of it. They had advertised regularly for years in the newspapers and naturally supposed that people read their advertisements.

When they found that such was not the case, they started on an entirely different tack. They took the telephone book and marked the name of every citizen living in a desirable section of the city. They reasoned that since every man of any consequence has a telephone they would miss nobody in the community. They had a multigraph company send a personalized letter to each individual. The officers vowed that whether they got any business or not, most people in their home town would at least have heard of their institution.

MUCH to their surprise they received many new accounts. Then they sent a second letter to the same people, omitting, of course, those who had already answered. And so they went through the whole telephone book trying to tell the town that the bank was there.

The letters were short and to the point, with some facts at the bottom of the page, about the bank. When each telephone subscriber gets two letters from an old established institution he will probably remember it, and sooner or later will seek it out. When this happens, the bank has really become a part of the community.

This bank had a fine school savings department and the officers felt there could be no better way of developing a public relations policy than through the school children and their parents. They began making talks before the parent teacher associations about school savings and savings in general. They took pictures of the meetings and had public showings. They presented plaques and banners to the children in recognition of unusually good work in saving. They gave buttons for the children to

Tailored the way you want it!



More protection in *one* policy than you had before in three or four! That's what the new Schedule Liability Policy, issued by Standard Accident of Detroit, provides against claims arising from bodily injury or property damage for which you may be liable.

And it is made-to-measure! For this policy lists the liability hazards which menace you or your business. From this schedule, the manufacturer, merchant, contractor, property owner or tenant *selects* the coverage desired — and gets it all *in a single policy*.

Your Standard agent or broker can give you the details on this modern protection. He can also provide reliable Standard coverage against the consequences of automobile and personal accidents, embezzlement, forgery, robbery, glass breakage and similar hazards.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

wear when they saved a certain number of weeks. These buttons carried the name of the bank and were very popular. Naturally, these efforts could not but create a friendly feeling among all the people of the city as well as the children.

"You have the hardest place in the world to find," said a customer to the president of one institution. Its building had a white limestone modernistic front and was situated on the main street of the city, but for some reason it did not stand out.

The officers took the cue, however, and went to work. Large black plate-glass signs were installed on each side of the door. Over the front door a modern canopy was built and on its outer edge the name of the institution was set in upright block letters. A soft light was placed behind these letters, illuminating not only the lettering but the entire front of the building.

The people of the city now have the location and name of the institution impressed upon them every time they pass it. With the bank's building fixed in their minds, every new service it adds makes it that much more a part of the community.

Standard and Poor's Merge

Standard Statistics Company and Poor's Publishing Company have consolidated their organizations, thus bringing together the largest and the oldest financial and statistical publishing enterprises in the country. The new company is called Standard & Poor's Corporation.

Paul T. Babson, president of Poor's Publishing Company, is the chairman of the board of the new company. Other principal officers are H. Y. Barrow, vice-chairman of the board; Clayton A. Penhale, president; and Laurence H. Sloan, executive vice-president and editor-in-chief, all of whom have been executive officers of the Standard Statistics Company.

The head office is at 345 Hudson Street, New York City, where Standard Statistics Company has been located since 1931, and where most of the work of the new company will be carried on. Branch offices are located at Boston, Washington, Detroit, Cleveland, Chicago, St. Louis, Minneapolis, San Francisco and Los Angeles.

Admissible and Inadmissible Assets

A FORMULA for determining admissible and inadmissible assets under the invested capital basis of computing excess profit taxes under the new law has been devised by J. N. Quinn, cashier of the First National Bank of Hugo, Colorado. Mr. Quinn's bank has assets of about \$700,000.

In analyzing his formula, Mr. Quinn said:

"I have a strong conviction that this formula will be very valuable to banks not only this year, but in later years. I know that I intend to use it from now

on, unless someone can show me something unsound in it.

"If the invested capital basis is used to figure the corporation excess profits tax return", Mr. Quinn added, "it is necessary (or advantageous in most cases) to figure admissible and inadmissible assets and the formula outlined below appears to me to be the ultimate in short-cutting and would appear to come well under the \$1,000 leeway allowed in Section 715 of the Second Revenue Act of 1940." Mr. Quinn's formula follows:

Suggestions for Determining Admissible and Inadmissible Assets

- (1) Take daily statement total asset figures—as they appear in the daily statement book—run 366 days—divide by 366 for average \$ _____
 - (2) Add "net build-up" to average assets. This will get bonds, securities, building, fixtures and other assets adjusted to "adjusted value" \$ _____
 - (3) Deduct—"Fictitious Assets"—to "short-cut" this assume that expenses, interest paid, taxes paid, et cetera, accrue equally from day to day. Take expenses from semi-annual earnings report, add the two semi-annual totals—divide by four, and deduct \$ _____
 - (4) Deduct—one-half of the total depreciation on buildings and fixtures which will get the result of depreciating from day to day \$ _____
- Total admissible and inadmissible assets \$ _____
(Line 27 Form 1121)

Considering "Inadmissible Assets"

- (1) Government securities, municipal securities, Federal Reserve bank stock. Treat together, or separately. Aggregate. . . \$ _____
 - (2) Add—"build-up" (premiums written off or other adjustments) to adjust to "adjusted value" \$ _____
- Total 1-1-1940 \$ _____
- (3) Make a series of notations of "plus" and "minus" giving dates and treating at "adjusted value" (not book value) as securities are purchased or sold.
 - (4) Run list 366 days; divide to get "average". Average \$ _____
(follow increases for purchases—decreases for sales)
 - (5) Run list of "warrants" 366 days—divide to get average. Add \$ _____
- Total "Inadmissible Assets" \$ _____
(Line 26 Form 1121)

A RURAL banker was discussing the war with several customers in the lobby. During the conversation he said, "But the commentators don't agree with me." The next day he was surprised to receive a fine bag of potatoes from a farmer-depositor who said in explanation of the gift, "I heard you say that common taters don't agree with you, so I brought you some of these—the best I ever raised."

A FARMER came to a bank for a personal loan. He said he wanted it to pay the doctor who had officiated at the birth of his son, now five years old. "What, have you never paid the doctor for that?" asked the banker.

"No," said the farmer, "that boy's been a free-born citizen all these years."

"Yes," added the banker, "and I should say a fine example of the benefits of rural free delivery."

METHODS and IDEAS

This department of BANKING is conducted by our Methods and Ideas reporter, John J. McCann.

Time Contracts

THE NATIONAL CITY BANK of New York has segregated its personal loan and instalment financing business into a new special department called "Time Contracts". Yearly purchases by this department amount to more than \$50,000,000.

The retail sales out of which these instalment contracts are created embrace almost every conceivable article of merchandise. The department is divided into two main divisions—new business and operating. New business men assemble data on companies engaged in the instalment business—potential customers for long-term financing. Thereafter the prospect is sold one of several available plans best suited to its type of business and requirements. The operating division then enters the picture to study the company's methods, develop a handling routine between the company and bank and assist in drawing up the purchase agreement.

Defense

TO EMPHASIZE the defense production loan services available in Cleveland, 10 institutions have cooperated in addressing a four-column 15-inch newspaper advertisement to the manufacturers. Here was a public pledge to give every assistance to enable business concerns to participate more fully in the national defense program; to facilitate the obtaining or financing of contracts, and to reduce the necessity of frequent trips to Washington. Through the Federal Reserve Bank of Cleveland, the lending agencies are kept advised concerning arrangements for the placing of contracts in the area and consequently may well serve as a clearinghouse of information to manufacturers, contractors and sub-contractors. In addition, many institutions individually have advertised their defense loan facilities.

Historic

THE ROMANCE OF OLD CALIFORNIA has been faithfully recorded in a series of brochures by the Security-First National Bank (Los Angeles). The first

edition, "La Reina", traces three centuries of fascinating development of the city. The volume was originally published to commemorate the 40th anniversary of the founding of the former Security Trust and Savings Bank, but has been revised in a fourth edition. It is illustrated with old prints and photographs of men and places which shaped the destiny of this great metropolis.

Another brochure, "Rancho Rodeo De Las Aguas", tells the story of the murals in the Beverly Hills Branch. A third edition, "Rancho Rincon de los Bueyes", recalls the historic background of one of the last of the great ranchos—the forerunner of Beverly Hills.

Almanac

The 1941 ALMANAC—unchanged in format or function since the days of Ben Franklin, was again distributed to the friends of the Warren Bank Trust Company, Warren, Pennsylvania. Keeping alive this great American institution—the Almanac—has been the self-appointed task of the bank for a number of years. It contains monthly calendars with important astronomical happenings, and weather guesses for the use of farmers, gardeners, fishermen and travelers. And also a collection of useful and entertaining matters extracted mostly from the history and folklore of Pennsylvania—particularly from the northwestern section and Warren County. Bank "plugs" are included.

The short film depicting the 100-year record of mutual savings banks in New Hampshire has been shown in more than half of the state's theatres, besides the private showings to business groups. Below, a scene from the film finds two young people studying plans for their future home made possible through a bank loan



Newcomers

WASHINGTON LOAN & TRUST COMPANY, Washington, D. C., addresses an advertising appeal to new residents and visitors to consider its facilities as a financial headquarters for personal and business use. An invitation of this kind seems apropos in every city where industries are importing new talent and labor for expanded defense operations.

Presidential Signatures

A LOBBY DISPLAY containing the photographs and original signatures of the 31 presidents of the United States has attracted wide attention at the Madison-Crawford National Bank, Chicago.

The exhibit was loaned to T. H. GOLIGHTLY, president of the bank, by its owner CARL STOCKHOLM, prominent west-side business man and head of the Garfield Park Business Men's club.

In three panels and towering seven feet in height, the exhibit reveals, through separate photographs, the likenesses of American executives. The signature, authentic in every case, is a part of each framed picture. Lettering on the panels affixes the date of the term of office of each president.

The exhibit is one of the rarest of its kind in existence and is valued at \$3,000.

For Posterity

THE ATWATER KENT MUSEUM, Philadelphia, restores, for posterity, the

banking rooms of the Bank of North America, founded by Robert Morris in 1781 under the first U. S. charter. Quill pens, pigeonhole filing cabinets, candles, weighing scales—even to the old blunderbuss carried by the first bank guard—are now on display in the permanent exhibit. The original equipment and other materials were presented by WILLIAM FULTON KURTZ, president of the Pennsylvania Company for Insurances on Lives and Granting Annuities, the lineal descendent of the first bank.

Button . . . Button

A NEW KIND OF BUTTON campaign! At the South Shore National Bank of Chicago every member of the staff coming in contact with the public wears a three-inch green and white button on coat lapel or dress. It reads: "Have You A Safe Deposit Box?" With this simple sales promotion, the bank has enjoyed the greatest safe deposit activity in its history. During the month of January 85 rentals were made. Biggest day recorded 10 rentals—more than three times the average activity. The bank attributes the success to the psychological reaction of this unique stunt. It sells without effort and, in the bank's opinion, is the best scheme yet.

True or False

COMMERCE UNION BANK, Nashville, Tennessee, cleverly borrows the quiz technique for its latest series of newspaper advertisements on will-making. Setting forth a group of pertinent questions on the subject, with checking space for true or false, the series demonstrates how easily "taking a chance" and guessing may change the whole course of a *man's estate*. This form of presentation makes it rather obvious to the layman that he should consult his attorney and name a competent executor. It bids for action on the adage—a man seeks counsel when he realizes how little he knows.

Camera Clubs

"LITTLE TOO THIN" says the president. "Maybe we should change the time factor", agrees the office boy. So it goes when camera fans get in the dark-room or rather at salon exhibits. Banks have come to rate this great in-and-out-of-door sport as one of the best means of encouraging good employee relations. Just to show how strongly it has taken hold in some quarters—many bank camera clubs of downtown New York helped sponsor the first annual display of the Metropolitan Camera Council,

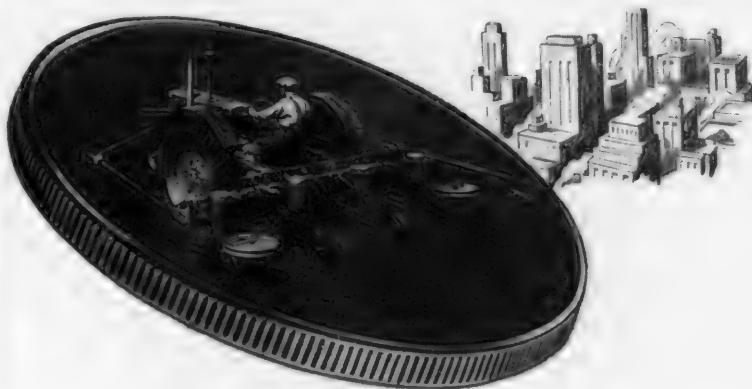
Inc., at the U. S. Steel building—a project that has taken first position for industrial camera club activities over the country. Bank members of the Council now include: Chase Bank Camera Club, City Bank Camera Group, Camera Club of the Guaranty Trust Company and Manufacturers Trust Company Camera Club.

Consensus

"COMPETITION in the Mortgage Lending Business" by the California Bank, Los Angeles, represents a consensus of expert opinion from an independent national survey. The booklet highlights

the three most dangerous practices in the present scene: (1) the type of competition which has a tendency to bring about abnormally high appraisals; (2) competitive lowering of interest rates; (3) failure to analyze and give weight to a project's soundness. Replies to other pertinent questions are tabulated and supported by excerpt comments broken down into chapters by states or by sections.

The advertising and publicity department of the bank will forward, without charge, one or more booklets to anyone engaged in the mortgage lending business upon request.



CITY DOLLARS

GO TO WORK ON THE FARM

DURING the past seventeen years the Federal intermediate credit banks have placed several billions of city dollars in profitable employment on farms and ranches and in farmers' cooperative associations throughout the country. This has been accomplished by discounting agricultural paper carrying the endorsement of commercial banks, agricultural credit corporations, livestock loan companies, production credit associations and the banks for cooperatives. Funds for this purpose are realized through the issuance and sale of debentures. The soundness of enterprises financed and of local endorsing institutions reflects the formidable position enjoyed by the Federal intermediate credit banks and creates a broad national market for their debentures.

THE FEDERAL INTERMEDIATE CREDIT BANKS

| | | | |
|--------------------|------------------|-----------------|----------------|
| SPRINGFIELD, MASS. | LOUISVILLE, KY. | ST. PAUL, MINN. | HOUSTON, TEX. |
| BALTIMORE, MD. | NEW ORLEANS, LA. | OMAHA, NEB. | BERKELEY, CAL. |
| COLUMBIA, S. C. | ST. LOUIS, MO. | WICHITA, KAN. | SPOKANE, WASH. |

Further information regarding the Debentures may be obtained from

CHARLES R. DUNN, Fiscal Agent

31 Nassau Street, New York, N. Y.

Million Dollar Club

SAVING \$250, \$500, \$1,000 and so on, "ain't hay", as the expression goes! Why stop at small objectives? That's the theme set by the Million Dollar Thrift Club, sponsored by the Farmers National Bank, Salem, Ohio. When one saves systematically he feels like a millionaire, even if balances never grow so prodigiously. The new club is a mental boost for the thrifty. It sets up monthly deposit schedules in units of \$5 with due dates on the first of each month. Four extra days of grace are allowed for each deposit period. No partial withdrawals or transfers may be made, but the total

balance may be withdrawn at any time after 30 days of written notice. When such withdrawals are made before the completion of the full 48-month schedule, interest is paid on each \$250 of final maturity value as follows: after 12 deposits, but not earlier than 12 months, 30 cents; after 24 deposits, but not under two years, \$1.70; after 36 deposits, or after three years, \$4.70. There are no fines, penalties or forfeitures on the depositors' funds.

"Mar—Pay—Go"

MARQUETTE NATIONAL BANK, Minneapolis, stylizes its new no-minimum-balance checking accounts as "a waste-

proof way of paying personal bills." Like other modern forms, the customer pays for the service actually used. Seven cents is the total cost per check or deposit. Statements are rendered, not monthly, but rather as each ledger sheet is filled, approximately after each 25 transactions. Launched with a fairly strong advertising campaign of newspaper, direct-mail and radio, first-month volume was quite satisfactory. Most interesting fact: only one transfer from the regular checking department. Net: 99 per cent new business.

Defense

ATLANTIC NATIONAL BANK, Jacksonville, Florida, believes that arming the public with facts is also a mighty important part of national defense. In a recent newspaper advertisement, the bank called attention to 10 vital questions of especial interest to prospective conscripts and the public at large. These were picked at random from a very informative, illustrated pamphlet, "Our Defense Forces", which the bank distributes without charge. Boxed in the advertisement is an industrial pledge of full cooperation in financing all types of national defense contracts.

Think

MERCHANTS & EMPLOYEES INDUSTRIAL BANK of Houston sponsors one of the latest radio script shows on the air. "Something To Think About", a five-minute program, is crammed full of interesting facts about everything under the sun. It's a thought-provoker that ties in naturally with the one and a half minute commercial plug. The style is breezy and attention getting. The series lists as many as 260 scripts. On KTRH, Houston, the bank reports an excellent reception for its personal loan commercials. Mail inquiries run high; many listeners also supply facts and stories incorporated in the script.

Treasure Hunt

SILVER DOLLARS were dipped from an old treasure chest, when the National Shawmut Bank of Boston awarded half-way mark prizes to 100 employees in a contest for new special checking accounts. A member of the time sales department led the men's division with 65 new accounts in the first three weeks, while the pace-setter for the women's division chalked up 26. RAY A. ILG, vice-president, states: "This is one of the greatest employee competitions ever conducted by our bank. Its purpose (CONTINUED ON PAGE 66)



CLOSE TO CHICAGO'S BASIC INDUSTRIES

Next fall Chicago will entertain the 67th Annual Convention of the American Bankers Association. To local bankers this event is important. To Chicago, it is that and more . . . for it is an integral part of what amounts to a basic industry. Over the last decade the average number of conventions held in Chicago has passed 800 a year and the visitors thus accounted for have averaged almost one MILLION. Few things, we believe, equal these facts in pointing up the importance to bankers of selecting Chicago correspondents. And as one of Chicago's major banks, the American National cordially invites you to visit it and meet its officers while attending the A. B. A. Convention.

AMERICAN NATIONAL BANK AND TRUST COMPANY

of Chicago

Member Federal Deposit Insurance Corporation

LA SALLE STREET AT WASHINGTON



Your town can stop traffic deaths if you insist on it!

In the interest of highway safety, the Two Hartfords welcome the opportunity to publish this important statement by W. H. Cameron, Managing Director, National Safety Council.

Any community in the United States can stop traffic accidents if it really wants to! The records prove it.

Last year the National Safety Council presented awards to nineteen cities in the National Traffic Safety Contest. The composite death rate of these cities was thirty-eight per cent below the national average for all cities.

156 days—no fatalities

In 1940 a big Eastern city went 156 days without a traffic fatality . . . a

midwestern city went 85 days . . . a southern city 144 days . . . a town in the southwest hasn't had a traffic death in ten years!

Why? Because the people in these communities *actually want* traffic safety . . . they *actually want* security against death and disaster on the streets.

How to assure safety

But, you say, *every* community wants this security. *No one* wants an accident.

True. But too many communities aren't willing to pay the price for freedom from traffic tragedy. This price is hard work . . . ceaseless, relentless, eternal work . . . inspired by sincere purpose and applied to a proven and continuous program.

Records of 1,280 cities entered in the National Traffic Safety Contest

prove that a community can have traffic safety in almost exact proportion to the intelligent and sustained effort it puts forth.

The driving force behind this effort is public support . . . is *you* . . . the private citizen.

Demand a complete and well balanced accident prevention program for your community. Get behind this program and support it actively. Your town can stop accidents if . . . and only if . . . you insist on it. It's up to you!

Ever since 1810, "Hartford" on a policy has meant a sure promise to pay losses.



Reproductions of this message in poster form gladly furnished to local civic authorities, safety or traffic committees.



Hartford Fire Insurance Company

Hartford Accident and Indemnity Company

HARTFORD, CONNECTICUT

THE TWO HARTFORDS WRITE PRACTICALLY EVERY FORM OF INSURANCE EXCEPT LIFE

METHODS—Continued

is to supplement the bank's newspaper and radio advertising as a means of acquainting the public with our new form of checking service."

Sack o' Silver

OUT IN GRAND RAPIDS, the air-waves are lined with silver for the lucky listener to the popular radio program sponsored by the Union Bank of Michigan. "Sack of Silver" keeps folks near the radio and telephone three evenings a week. It takes 15 minutes to spin the wheel which picks the lucky directory,

page and listing. If the phone is answered, the bank awards 20 silver cartwheels. Unanswered or "busy" phones receive a "conscience" award of \$5, with the remainder going to the jackpot. There's no doubt that the eager audience also pays attention to the bank's commercials. This is the second season for the program.

Omnibus

FIRST WISCONSIN NATIONAL BANK, Milwaukee, lists eight specific advantages for its unique "family group" advertisements—the omnibus technique which pyramids a series of various sized

advertisements on a single newspaper page. These advantages are: (1) high attention value; (2) each ad gets a "better break" than if it were run individually; (3) services which require only occasional promotion are advertised more effectively in relatively small space; (4) each ad is a complete unit and has direct appeal; (5) emphasis on the variety of services offered by the bank; (6) forceful name repetition; (7) flexibility of grouping permits featuring almost any service at any time; (8) the foregoing points combine to make exceptional institutional value.

4¼ Per Cent FHA

THE BOWERY SAVINGS BANK renews its drive for the much publicized plan of 4¼ per cent FHA loans. In two years, some 2,237 loans totaling more than 15 and a half million dollars have been made on single homes, group developments and six-unit family developments in and around New York City. The Bowery plan this season sponsors a new innovation—a 4 per cent automatic rate as a premium for making a slightly larger monthly payment to reduce principal for the first five years of the loan, never more than 93 cents additional for each \$1,000 of the loan. This feature pays the mortgage in three years less time at a saving to the borrower of \$696 on the average \$5,000 loan. In current consumer advertising, the bank also

Thrift booklet below issued by The Farmers National Bank, Salem, Ohio. See page 64



BANCO ITALIANO LIMA

Capital and Reserves S/.24,847,408.69

Serving

PERUVIAN FOREIGN TRADE

FOR OVER

FIFTY YEARS



We have branches and agents in every commercial centre of Peru, and our modern collection department has been specially organized to meet the requirements of our foreign clients.

*Peru's Oldest National Commercial Bank,
Established in 1889*





Fidelity & Surety Bonds
Blanket Bonds
Burglary & Forgery
Insurance



NATIONAL SURETY
CORPORATION

VINCENT CULLEN
 President

Have you heard about BANK-
 ING'S group subscription plan for
 employees? This plan will save
 your bank money. Write for in-
 formation.

THE TEXAS CORPORATION



154th Consecutive Dividend paid
 by The Texas Corporation and its
 predecessor, The Texas Company

A dividend of 50¢ per share or two per
 cent (2%) on par value of the shares
 of The Texas Corporation has been de-
 clared this day, payable on April 1, 1941,
 to stockholders of record as shown by
 the books of the corporation at the close
 of business on March 7, 1941. The
 stock transfer books will remain open.

L. H. LINDEMAN

February 20, 1941

Treasurer

bids for the interest of community
 developers.

Credit Plan

A NEW PLAN for tying mercantile
 merchandising in with bank service and
 credit has been developed by the Colo-
 nial Trust Company of New York City,
 and will shortly be made available to its
 correspondent banks. A successful test
 of the idea has been made in the Rocke-
 feller Center area by the Colonial
 branch. Copyrighted under the name
 "Colonial Merchandise Letter of Cred-
 it", the plan in effect finances instal-
 ment sales, with the merchant absorb-
 ing the credit charge (\$4 per \$100) by a
 4 per cent discount on purchases made
 by holders of the "letter of credit". A
 personal loans "line of credit" from \$50
 to \$3,500 is approved by Colonial for
 the customer, who is given a "merchan-
 dise letter of credit" and an identifica-
 tion card. His life is insured to the
 amount of the credit. He may then pur-
 chase the wares of the listed merchants
 to the full amount of the credit without
 a service or interest fee. Increased sales
 in the participating shops quickly ab-
 sorb the 4 per cent cost.

Amateur Talent

THE FARMERS & MERCHANTS BANK,
 Highland, Illinois, tells of a new method
 for employing "promising" talent.
 Through the superintendent of schools,
 the bank found a budding artist-writer
 —a senior majoring in commercial art.
 With a little special instruction, the
 young lady was turned loose on bank
 ads. Front page newspaper publicity
 announced her début and now local
 folks watch for weekly efforts. DORIS
 FERRAEZ enjoys the admiring respect of
 her school pals and is grateful for the
 bank's sponsorship.

Retirement Plan

THE BOATMAN'S NATIONAL BANK of
 St. Louis describes its new employee

Below, school savings scene taken from New
 Hampshire mutual savings bank film



THE
PUBLIC
NATIONAL
BANK
AND
TRUST COMPANY
OF NEW YORK

Service—Maintaining an
 intimate, personalized corre-
 spondent bank service.

Experience—Officials with
 years of service in this field;
 assuring a knowledge of re-
 quirements and valuable as-
 sistance.

Policy—To cooperate with
 out-of-town banks rather than
 compete for business which is
 rightfully theirs.



Resources over \$170,000,000

ESTABLISHED 1908

MEMBER
 NEW YORK CLEARING HOUSE ASSOCIATION
 FEDERAL DEPOSIT INSURANCE CORPORATION

DIVIDEND

ARMOUR AND COMPANY
OF DELAWARE

On February 27 a quarterly dividend of one
 and three-fourths per cent (1 3/4%) per share
 on the Preferred Capital Stock of the above
 corporation was declared by the Board of
 Directors, payable April 1, 1941 to stock-
 holders of record on the books of the Com-
 pany at the close of business March 10, 1941.

E. L. LALUMIER, Secretary

COLLECTIONS COSTLY?



CUT COSTS—SPEED PAYMENTS
 AS 900 LEADING U.S. FIRMS DO!
 INSTAL-VELOPES replace payment
 books, monthly statements on in-
 stalment Accounts.
 COL-VELOPES give delinquent ac-
 counts systematic follow-up.
 Both cut clerical and postage costs
 50 per cent. Write today for sam-
 ples and Book of 120 letters.

WASSER ORGANIZATION

WATER-
 CONN



Rust Immunity

an important safety factor
for mortgage money



There are no metals more durable than copper, brass and bronze. And there are no metals that—over a period of years—offer more economical use in residential building. For they free homeowners of expensive upkeep due to rust. By thus preserving the useful life of a house, copper and its alloys also increase its worth as a mortgage risk.

Reliable, rust-proof copper and brass pipe, Everdur hot water storage tanks, copper roofing, bronze screens and hardware render lasting service. Money invested in them will return dividends by reducing depreciation of the property.

An illustrated booklet, "Anaconda Copper, Brass & Bronze Throughout the Home," will be sent at your request.

89273



THE AMERICAN BRASS COMPANY

General Offices: Waterbury, Connecticut
Subsidiary of Anaconda Copper Mining Company

Anaconda Copper & Brass

retirement annuity program in a recently published pamphlet. The plan assumes full liability for the payment of all annuities purchased from it and for making all refunds under the plan. Retirement incomes are built in proportion to years of service and salary. On the cost-sharing basis, younger members of the staff have a great opportunity of building adequate retirement incomes. Recognizing the position of older employees, the bank provides, at its own expense, additional or supplementary annuities for past service.

Defense Co-Op

OUR FILES of defense advertising—promotional and institutional—indicates that, at the present rate, lineage in this category should out-rank all other forms of loan selling. Dramatics play an interesting part in current layout . . . zooming planes . . . booming guns . . . fleets on parade. But, there are other equally strong factors. For example, a recent ad sponsored by the Jacksonville Clearing House Association listed its three member banks. The ad simply presented a sincere offer of financial assistance and carried an application-coupon inviting direct and immediate action.

Doodlers

THE HUNTINGTON NATIONAL BANK of Columbus observes the idiosyncrasies of the doodler—and does something about it. For the benefit of the plenty-of-time customers, who take great pleasure in drawing *didos* on otherwise lily-white blotters, and the seemingly-in-a-hurry customers, who take time trying to figure them out, the bank issues blotters with its own *dido* off in a corner. In script the message reads: "You'll find our Safe Deposit Department an interesting place to visit. Always glad to show it. Ask at Information Island."

Kid-Quiz

FIRST NATIONAL BANK of Elkhart, Indiana, and the Miles Laboratories, Inc.,—makers of Alka-Seltzer tablets—co-sponsor an unusual radio show, "Meet the Elkhart Quiz Kids". This weekly evening broadcast awards a \$5 savings account to each of five contestants selected from students of

Below, button worn by employees of South Shore National Bank, Chicago, in their safe deposit campaign. See page 63



Service Is the Word for Banking

(CONTINUED FROM PAGE 41)

of banks. On this point, Mr. Woolley says: "Drapes, pictures, murals and attractive floor designs or coverings are other features being quite extensively used in modern bank quarters to create a general atmosphere of the home or club. These relieve the walls and floor of the cold bleakness of earlier bank designs."

After more than a year of preparation, the Trade Bank and Trust Company of New York recently moved into its new building. Numerous innovations distinguish the new offices and facilitate service to customers, including a fresh air circulating system, a pneumatic tube carrier system connecting all tellers' stations with the transit department, and a "hurry-up deposits" chute installed on one counter.

THE Lemoyne (Pennsylvania) Trust Company has enjoyed a phenomenal growth since its original building was completed in 1905, to which enlargements were added in 1910 and 1925. In 1940 this bank's facilities again were increased, this time approximately 100 per cent.

In addition to a new fireproof vault for books and records, Vice-president John E. Myers reports the inclusion of "modern and convenient coupon booths, new screens, counters, et cetera, throughout to provide modern, convenient facilities for customers. The original vault is entirely available for safe deposit boxes and the company's cash and securities."

From Portland, Oregon, comes word that the Ladd and Bush-Salem branch of the United States National Bank of Salem has erected a new unit, thereby adding to the bank's area and facilities by 3,000 square feet. A wide corridor connects the old and the new buildings.

Milford H. Whitmer, president of The Citizens National Bank of Springville, New York, states that "in June 1939 we demolished our old bank building and built an entirely new, fireproof structure at a cost of approximately \$43,000. The building itself is a modern design and laid out so as to give our customers quick service and to facilitate the work in the bank. Everything is centered so that the work may be done with the least possible effort."

And from Missouri, J. C. Welman, president of the Bank of Kennett, reports:

"In the Fall of 1939 we changed our fixtures from one side of the bank building to the other in order to get the light at the backs of the employees. All of the marble topping and all of the grill work was removed and low glass substituted. A new terrazzo floor was installed in the lobby, an asphalt tile floor in the working space, and an acoustical ceiling."

LIMITATIONS of space make it impossible in this issue to quote from all the letters received as a result of BANKING's survey of bank modernization; however, in another article some of these same banks, and others, will relate the effect these improvements have had upon earnings and employee relations. On this point, Mr. Woolley concluded his analysis by saying:

"That such modernization of bank interiors pays large dividends in employee and customer relations is the consensus of the opinions expressed in all the letters received upon this subject.

"While this improvement of working conditions and service to depositors was, in all cases, the guiding motive which decided the directors to proceed with the work, nevertheless it is surprising how many banks found that increased business also resulted."

A Timely Tip ON CONSUMER CREDIT GARDNER DISPLAYS BUILD NEW BUSINESS FOR BANKS!

Animated, three-dimensional, illuminated displays—changed regularly for you—promote your revenue-producing departments by utilizing the FREE space in your windows and lobbies. An inexpensive service that has been proven effective.



Write for Free Descriptive Booklet
GARDNER BANK DISPLAY SERVICE
PITTSBURGH OFFICE—477 MELWOOD ST.
New York Office—16 W. 41st St., New York City—Circle 5-7590

Banking Under Nazi Rule

"BANKING prospects under the 'new order in Europe' are none too bright," says Paul Einzig, writing in "The Banker" of London.

"The chances are that the central banks will gradually be reduced to German Government agencies," he says, "while the commercial and other banks will be starved into surrendering their control to German banks. The deliberate demobilization of industries (except those working for the German armed forces) will inflict heavy losses upon the banks. Their turnover is bound to decline and will result in considerable amounts in bad debts.

"The only prosperous enterprises will be those working for the German Government, and they will be financed mainly by German bank branches established in occupied countries. . . .

"To survey the countries in the chronological order of their conquest, in Czecho-Slovakia the national bank was placed under German control immediately after the occupation of Prague by the appointment of a Kommissar,

with a number of Reichsbank officials to assist him. The gold stock of the national bank was seized, in so far as the Nazi authorities were able to lay hands on it and other steps were taken of a confiscatory nature.

"In the case of Poland, the Bank of Poland succeeded in transferring its head office to London and its gold reserve was removed in good time. The Germans first operated through Reichskredits-Kassen branches established in various cities. Subsequently they established the Emissions-bank in Polen, whose notes became the sole legal tender. The Bank of Poland's notes were withdrawn from circulation at short notice. Owing to the plunder of Polish firms by German occupation authorities, several banks got into difficulties, but the restrictions upon the withdrawal of deposits enabled them to survive. The leading German commercial banks established branches in various Polish cities.

"In Denmark the national bank was forced to grant advances to cover

German occupation costs. It also had to finance Danish producers whose products were taken for export to Germany. The Bank of Norway in Oslo came under German domination before the board had a chance to escape. The Government appointed a new board, which is established in London. In spite of this, the German authorities forced the old board to remain in office and to continue to issue notes.

"In Holland, the Netherlands Bank was placed under the supervision of Herr Wohltat, the super-negotiator. Its main function, like that of the central banks of other conquered countries, consists in financing German occupation costs and the acquisition of Dutch goods by Germany. The guilder has twice been devalued in terms of the reichsmarks.

"In Belgium a new central bank was established which is working under German control in close collaboration with the National Bank of Belgium. Since the latter's gold was removed to a safe place abroad before the occupation, the new bank issues its notes against the "security" of Belgian clearing claims against Germany. The private safes in banks were sealed and the banks were instructed not to allow their clients to gain access to these safes except in the presence of the Germans.

"Banking activities in occupied France are very restricted, as most banks have evacuated their head offices to unoccupied territory. The Reichskredit-Kasse opened branches in all the big towns in occupied territory and has flooded the country with its notes. The French public has to accept these notes under the threat of court-martial. The Paris branches of British banks were closed down. The Bank of Paris removed its gold from Paris in good time.

"In unoccupied France, the head offices of the Paris banks are established in Vichy, Clermont-Ferrand or Marseilles. The Bank of France ceased to publish its returns after the collapse in June, but it was officially announced that it had granted the Government an advance of 50 milliard francs to finance occupation costs. This amount is believed to have been exhausted by the end of October, and the note circulation of the bank has increased to a corresponding extent. The Bank of France's gold is partly frozen in the United States, while part of it is held in Martinique and at Dakar."



"BUT, MR. SMITH, YOUR LETTER SAYS MY HUSBAND'S NOTE IS PAID IN FULL."

Such welcome news, coming after deep sorrow, creates "good will" that is talked about. Credit Life Insurance on loans offers an extra service to borrowers that pays dividends in closer, friendlier relationship between the customer and his bank.

Write for complete details. Learn why Credit Life Insurance is used by leading banks to safeguard both their loans and their public relations.

"THAT IS TRUE, MRS. JONES. OUR BANK INSURES PERSONAL LOANS WITH CREDIT LIFE. THE INSURANCE PAID THE LOAN."



The Credit Life Insurance Company

SPRINGFIELD, OHIO

"Insurance on the Life of the Debtor in Favor of the Creditor"

LONGINES

*the most honored watch
in Aviation*



UNITED AIRLINES Mainliners, flying U. S. airmail route No. 1, coast-to-coast are equipped with Longines Aviation Watches. The ocean air routes of Pan American, Royal Dutch and the survey flights of American Export Airlines are flown with Longines Navigational Watches. In aviation, as in other fields where time-accuracy is essential, the most honored watch is Longines.

Longines
THE WORLD'S MOST HONORED WATCH

Longines Aviation Watches were proven in the service of the great pioneer flyers—Chamberlain, Balchen, Post, Lindbergh, Byrd, Mattern, Hughes, and others. As a result, the science of airplane navigation was built around Longines Aviation Watches.

The research and technical facilities necessary for the construction of super-accurate Longines timepieces for navigation and scientific use have contributed to the greater accuracy and dependability of all Longines Watches. Thirty-eight world's fairs have given Longines Watches highest honors.

Longines jewelers now show the 75th Anniversary Longines Watches, representing the peak of Longines perfection, priced from \$40; also Wittnauer Watches from \$24.75, products of—

LONGINES-WITTAUER WATCH CO., INC.
580 FIFTH AVENUE NEW YORK, N. Y.
Montreal, Canada

LONGINES
75th Anniversary Watches
PAR AVION SERIES EACH WATCH \$40.50



April 1941

6% Is Not 11.7%

(CONTINUED FROM PAGE 27)

necessarily follow that it is not a payment and does not reduce balance due.

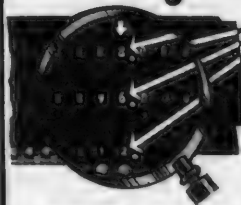
A further burden on the bank is proof that it has an original contract note in which it refuses to accept payments on the principal until a given date, usually maturity. This is a sound loaning principle and often justified. But the bank further demands in the contract that regular payments be put in escrow so that payment will be assured at maturity. That is collateral and performance of a contract but not a payment on the loan. I believe this is the case with all banks which use the commercial ledger page to record deposit payments. It is implied and understood if not actually so stated. Each bank working on this basis, of course, should have a written agreement with the borrower clarifying this relationship. It can be stated on the note and also on the coupons or other payment record kept by the borrower. Therefore, I again insist that the banks are not misleading the public when they state that their interest charge is 6 per cent.

If a further study of costs in this type of business discloses the fact that interest and expenses might actually be 11.7 per cent, I still feel that it would be unwise for us to advertise an 11.7 per cent rate. We just would not get the business. We would have to use the same rate of 6 per cent and either advertise that costs would be charged in addition to the interest, or inform the customer of the fact. Few borrowers would understand the principle behind Mr. Foster's argument that the banks would be doing the public a favor by telling them that.

People are used to doing business at 6 or 7 per cent, or less, and with other financing agencies advertising as they do, the public would never understand our asking 11.7 per cent. Not one in a thousand would stop to inquire about the matter or to discover whether 6 per cent in one place was more than 11.7 per cent at the bank.

Another important reason why banks cannot talk in terms of rates that high is the fact that the Government may have misled many groups into thinking they should be charged much less. It has made loans to farmers and other groups at rates having no relation to actual costs. The Government arbitrarily decides on a rate and subsidizes

See
**WHAT YOU
ARE DOING**



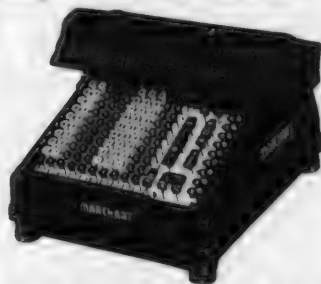
**ALL 3
FACTORS
STAND IN
FULL
REVIEW**

MARCHANT

**the calculator with
straight-line true-figure
dials for ALL 3 factors**

"Blind typing" was superseded by "in sight" typing... and now "blind figuring", with its drawback of one or more factors not shown, is being replaced by Marchant's modern "in sight" figuring.

This exclusive feature proves correctness of calculation... and in many cases also permits procedure that proves copying of answers without it being necessary to re-calculate!



Ask us to show how to make this startling saving... approved by auditors and comptrollers everywhere. Mail coupon today.

MARCHANT CALCULATING MACHINE COMPANY
HOME OFFICE: OAKLAND, CALIFORNIA, U. S. A.

Sales Agencies and Manufacturers' Service Stations
Give Service Everywhere!



MARCHANT CALCULATING MACHINE COMPANY
1475 Powell Street
Oakland, California B-4-41
Without obligation, you may send
date showing many ways MARCHANT
CALCULATORS INCREASE EFFICIENCY
AND REDUCE COSTS IN FIGURING.

Firm _____
Individual _____
Address _____
City _____ State _____

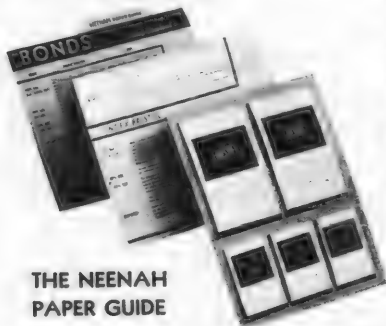


Your bank depends on "a promise to pay." Here is another promise you can depend on: standardizing on NEENAH guaranteed papers will save you money by giving you

- (1) UNIFORM HIGH QUALITY.
- (2) BETTER PERFORMANCE, on mechanical accounting devices.
- (3) SIMPLIFIED PURCHASING PROBLEMS—eliminates confusion of selecting papers from a thousand brands.

Get the NEENAH PAPER GUIDE to help you. It's free.

It compactly charts the grades, characteristics and uses of rag content and sulphite bonds, ledgers, index bristols, and thin papers. It will help you immensely.



THE NEENAH PAPER GUIDE

Just clip off the lower part of this ad and attach to your letterhead.

NEENAH PAPER COMPANY
NEENAH, WISCONSIN



the organization so that taxpayers have to make up the difference in cost. I believe that this is misleading the public in the same degree as many of the finance companies have been guilty of in the past, and for which these latter were justifiably condemned.

I have learned from experience that attempting to tell the public the reasons for the charging of a given rate of interest is injurious to goodwill. It sometimes invites idle curiosity and causes unnecessary arguments. If, however, the borrower wishes to know why a certain rate is charged, tell him, and explain anything he doesn't understand.

I feel, however, that most borrowers are interested mainly in service and do not appreciate certain favors. For instance, on these part-payment loans, we have given several customers the opportunity to make their notes on 90-day maturities. These borrowers were supposed to come to the bank at the end of that period, apply their accumulated three payments, and renew for the unpaid balance. What happened was this: we had difficulty in getting them to come in to renew. They did not remember what the arrangement was and this caused trouble all around. As a result, the next time they borrowed they went to a finance company. When questioned about it they said it was so much simpler to borrow there as they had only one monthly payment to make.

Therefore, I do not believe that we should advertise our rates with a complete explanation as to how to compare them with those of other loaning institutions whose advertisements the customer might read. *We should state exactly what our charge is and make it plain what we will do for the borrower. Above all, we must make the advertisement easy to understand and make it easy for the borrower to make payments on his loan.*

Carol L. Wilson is the new director of the Bureau of Foreign and Domestic Commerce



HARRIS & EWING

Security and Profit for Industry in INDIANA

● **TODAY**, as never before, a combination of markets, materials, and safe, secure location, is vital to manufacturers. Indiana's interior location combines all of these requisites in maximum degree. And, within Indiana's borders you will find friendly, co-operative labor, low taxes, excellent transportation facilities and many other unusual advantages.



Within this circular area, wholly, or in part, are 36 of the Nation's 48 states. These 36 states represent a very high percentage of the country's markets and materials—all quickly accessible to Indiana manufacturers.

MARKETS (% of the U. S. total)

| | |
|-----------------------------|-----|
| Population | 90% |
| Personal Income Tax Returns | 86% |
| Native White Families | 88% |
| Total Wealth | 88% |
| Passenger Cars | 84% |
| Commercial Cars | 83% |
| Retail Sales | 86% |
| Bank Assets | 90% |
| Bank Savings Deposits | 88% |

MATERIALS (% of the U. S. total)

| | |
|------------------------|-----|
| Value of Mfd. Products | 91% |
| Mineral Products | 77% |
| Dairy Products | 88% |
| Lumber | 51% |
| Coal | 94% |
| Manufactured Gas | 95% |
| Steel | 98% |
| Electrical Horsepower | 82% |
| Petroleum Industry | 83% |
| Wheat Production | 81% |
| Corn Production | 99% |
| Cotton Production | 93% |



20-PAGE BOOKLET

Our Industrial Data Book is yours for the asking. It gives full details of Indiana's many advantages. Write for it. All inquiries confidential.

DIVISION OF STATE PUBLICITY

A-522 Board of Trade Building • Indianapolis
J. H. Albershardt, Director

Handling Post Office Money Orders

FROM the standpoint of most bankers, especially in the smaller towns and cities, the money order is a necessary nuisance. Comprising but a small fraction of the total funds handled in a day's business, the orders usually entail an extra trip to the local post office to be converted into usable funds. Their form of endorsement, too, is unusual, requiring some special consideration from tellers who accept them.

To facilitate collection of money orders drawn on out-of-town offices, the Federal Reserve System provides for their inclusion in the regular remittance letters sent out daily by member banks. These orders are then forwarded to a member bank on whose post office, or by whose post office they are drawn, and so collection is effected through the regular channels without extra cost to the bank or to its customer. This does not, however, apply in cases where no member bank is located in the town of either the drawing or the paying post office.

MUCH of this explanation will seem elementary to many bankers, but in the writer's experience a large proportion of the money orders thus received by his bank in the Federal Reserve letters have to be returned because of improper endorsement.

The money order is a slightly more complicated instrument than a check and it must be correctly filled out by the drawing post office. Any irregularities involve a request by the paying office of a special advice from the issuing office in which errors or omissions are corrected. Such action is also necessary in the case of mutilated orders, especially if the left hand tab stating the upper limit for which the order is good is missing.

Endorsements on an order are limited to one, excepting bank endorsements, and space is provided on the reverse side for the endorsee's name and for the endorser's signature. Endorsement must be made in ink in the space provided, and is not acceptable if written or stamped elsewhere on the order. Open endorsement is not acceptable and the endorsee's name must be filled in. The endorsee may then negotiate the order at his bank or cash it at the drawee post office by signing his name to the receipt form on its face. In cashing or depositing a money order at his bank or post office, the original payee may sign the receipt form, or he may

endorse the order over to the bank by filling out the endorsement form on the back. The bank then stamps the money order on the back with its regular endorsement stamp in the space marked "bank endorsements", and it can then be forwarded for collection through the Federal Reserve System if it is drawn on an out-of-town office, or cashed at the local office. If the bank has been made the endorsee by the

original holder, the bank name must be signed to the receipt form on the face of the money order by a clerk or official.

Post office officials state that the volume of money orders in use is expected to increase again during the coming year. Sales rise with every new draft increment.

RICHARD S. BRADFORD
Merrill Trust Company,
Orono, Maine



SPEEDY

Fulton Correspondent Service

FULTON NATIONAL
ATLANTA *Bank* GEORGIA

A FLOORING INVESTMENT THAT PAYS DIVIDENDS!



A Wright floor installed in Equitable Life's offices, Chicago, Ill., by General Flooring Corporation, Holabird & Root Architects

An investment in Wright flooring actually pays dividends... dividends in longer life — lower maintenance — and lasting satisfaction. Wright flooring can be installed over wood or concrete floors — old or new. They are impervious to alk-

lies, inks, and stains. They won't dent under heavy pressure or summer heat. Its resiliency reduces noise and fatigue — withstands the abuse of heavy traffic. Ask your architect or flooring contractor — or write us for further details.

WRIGHT RUBBER PRODUCTS CO., 1619 Layard Avenue, Racine, Wisconsin

WRIGHT RUBBER TILE

The Federal Advisory Council

EDWARD E. BROWN, president of the First National Bank of Chicago, was chosen president of the Federal Reserve System's Advisory Council at a recent meeting in Washington.

George L. Harrison, who until recently was president of the New York Federal Reserve Bank and who is now president of the New York Life Insurance Company, was elected vice-president of the Council and Walter

Lichtenstein was reappointed secretary.

Robert M. Hanes, president of the Wachovia Bank & Trust Company of Winston-Salem, North Carolina, and former President of the American Bankers Association, was selected as the Fifth Federal Reserve District representative.

The Council's membership, as now constituted, is: District No. 1 (vacancy); District No. 2, Mr. Harrison;

District No. 3, W. F. Kurtz, president of The Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia; District No. 4, B. G. Huntington, president, Huntington National Bank, Columbus, Ohio; District No. 5, Mr. Hanes; District No. 6, Ryburn G. Clay, director, Fulton National Bank, Atlanta, Georgia; District No. 7, Mr. Brown; District No. 8, S. E. Ragland, president, First National Bank of Memphis, Tennessee; District No. 9, Lyman E. Wakefield, president, First National Bank and Trust Company, Minneapolis, Minnesota; District No. 10, W. Dale Clark, president, Omaha (Nebraska) National Bank; District No. 11, R. E. Harding, president, Fort Worth (Texas) National Bank, and District No. 12, Paul S. Dick, president, The United States National Bank, Portland, Oregon.

THE Advisory Council's executive committee is composed of Messrs. Brown, Harrison, Hanes, Kurtz, Huntington and Ragland.

Mr. Brown was born in Chicago and has lived there all his business life. He was graduated from Harvard (A.B.) in 1905, and Harvard Law School (LL. B.) in 1908.

He entered the legal department of the First National Bank in 1910, and the following year was made assistant attorney. In 1912 he was appointed attorney for the bank, and became a vice-president and general counsel in 1920. He has been a director since the beginning of 1923, and president for the past seven years.

Edward E. Brown



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A Few New Books

Financial Security

The Search for Financial Security. By ROBERT B. WARREN. Columbia University Press, New York, \$1.25.

THIS admirable series of lectures deals with current aspects of money, credit, interest rates, and the supply of capital.

In our history we have alternated between hard money and soft money, and are now perhaps in the ascending phase of soft money. Our paper currency today is a circulating, non-interest bearing, small loan, made directly or indirectly to the Treasury for the specific purpose of purchasing gold or silver.

The money lent by banks is another kind of money from that lent by individuals, individually or collectively. The interest rate as applied to savings is the rate of return required to induce the individual to sacrifice his immediate desires as a consumer and become an investor. The interest rate as applied to bank credit is the cost of running the bank. With almost no deposit charges, the bank rate of interest has become no more than the service charge of operating the banking machine.

The results of using bank credit as capital were clearly foreseen and deliberately sought in order to reduce interest rates. When it first became clear that bank credit was to come into general use as a substitute for saved capital, there was a cry that this was inflationary—that it would produce a rise in prices which would depreciate the value of all creditor capital. No such development

occurred in the form predicted, that is, there was no marked rise in the price level. Yet the effect upon creditor capital was precisely that predicted. This entry of banks into the capital market has brought them into competition with those institutions operating with saved capital, such as insurance companies and trust funds.

At the same time, individuals in their search for security have come to choose more and more the creditor relationship to property in preference to ownership, and to prefer to institutionalize their relation to property rather than to individualize it.

Consumer Credit

Do You Need Some Money? By ALLISTON CRAGG, Harper, New York, \$2.25.

MR. CRAGG calls attention to a problem and presents his solution. The problem is age-old. How may we meet adversity? What can be done to help those who are unfortunate and out of work over periods of national economic distress?

His remedy for relieving individual distress is not original. It has been suggested before and in other terms. But to Mr. Cragg we are indebted for once more focusing attention upon the problem and the need for a solution. Though without a practical foundation of tested fact, Mr. Cragg's proposed remedy has the merit of making us think. Even though we sense that his solution may not accomplish the very things which he hopes will follow its adoption, we are driven to a search for such things as may truly lie within the realm of practical accomplishment—of what steps research should take to overcome adversity.

But for some reason, no matter how carefully we plan and propose, the unforeseen invariably happens. Adversity overtakes us and our strength of endurance is put to test. Perhaps we should welcome these periods of trial, for a nation of men who meet these trials with courage and an unembittered will to overcome their difficulties themselves and through their own resources is a strong nation. A paternal government—a government which shields its people from all the uncertainties of life—only succeeds finally in weakening its people. Certainly the paths of our pioneers were not rose-strewn. Nor was our

Announcement to Bank Men

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Associate Professor of Economics, Duke University, author of numerous articles on public finance in leading economic and business journals

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nation ever stronger than when those pioneers had learned "how to take it" and, what is more, "how to make good". Government support and New Deal ideology cannot make that kind of man.

To the extent that Mr. Cragg's proposed solution gives a man a chance to prove himself, it is worthy of attention. The book itself is a useful guide for the individual unaware of the various credit sources available to the consumer public. As the author says in his preface—"this book will help consumers who may have personal financing problems toward a solution of those problems—."

Mr. Cragg's attitude toward consumer credit is, on the whole, enlightened and sensible. He also emphasizes the ability of the American public to take care of itself. He says "Many individuals do find themselves with more instalment credit than is comfortable, but they usually fight their way out by saving in many ways they otherwise would never have thought of, learning a valuable lesson." Such lessons and their successful solution by the individual help to build character and contribute to the moral stamina of our country during times of adversity.

Mr. Cragg has included a description of Government agencies devoted to the financial needs and wants of the public. The treatment of this section is readable and fairly comprehensive.

W. B. F.

Economic Science

The Conditions of Economic Progress.
By COLIN CLARK. Macmillan, New York, \$5.

A BELIEVER in the scientific approach to economic problems, Mr. Clark has made a comparative study of investigations into national income in the principal countries, and a study also of the economic factors that bear on national income. The book aims in the direction of finding "the conditions under which we can hope for the greatest degree of economic progress in the future".

Mr. Clark is director of the Queensland Bureau of Industry, government statistician and financial adviser to the treasury of Australia, and former lecturer in statistics at Cambridge. His book was published in England.

The ground covered is extensive. It includes a survey of the recent level of economic welfare in various countries; a discussion of production's unused potentialities; a study of the rate of growth of real income; occupational adjustments and maldistributions; the productivity of primary, secondary and tertiary industry; changing tendencies in consumption; capital's part in economic progress; and the relation between investment and income.

A Recovery Formula

The Defeat of Chaos. By SIR GEORGE PAISH. D. Appleton-Century Company, New York, \$1.

THIS little book by one of the world's most distinguished economists who has had an enviable reputation for being right throughout the past 40 years, devotes the first chapters to an appeal for defeat of the Axis powers.

His formula for world recovery and prosperity is the removal of tariff barriers, increase in international trade, and the employment of each nation in the production of those things in which it has the greatest natural advantages. Abandonment of policies for economic self-sufficiency. Sir George would remove military policy as an influence in national and international economic policy, and plan on the assumption that all nations would keep the peace—perhaps under compulsion from their neighbors.

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Financial Statements

The American Institute of Accountants, New York City, has published "Financial Statements—What They Mean", a public information pamphlet designed to make clear to the average investor the essential characteristics of balance sheets and income statements so that he can more clearly understand items noted therein. The cost of the pamphlet in quantities is nominal.

Vast extensions of credit and capital from the industrial countries to those areas which are relatively undeveloped. He finds the modern frontiers in China, Siberia, Australia, South America, and other lands which have a low production per capita.

Briefer Reports

Men and Volts. By JOHN WINTHROP HAMMOND. J. B. Lippincott Company, Philadelphia and New York, \$2.50. In this story of General Electric one finds the growth of an industrial organization paralleling the development of a great era in man's progress toward a better environment. Thus the book becomes something more than the biography of a single company.

Dollars in Latin America. By WILLY FEUERLEIN and ELIZABETH HANNAN. Council on Foreign Relations, New York, \$1.50. Reviewing defaults on dollar bonds and the fate of direct investments, the authors point out "new directions in our Latin American policy" and examine some of the problems associated with hemisphere defense.

The Petroleum Business. By RONALD B. SHUMAN. University of Oklahoma Press, Norman, Okla., \$3. The head of the Department of Business Management at the university, who teaches a course on petroleum economics, surveys a vital industry.

An Annotated Supplement to "The Bank Library". By MARY P. McLEAN. Special Libraries Association, New York, 75 cents. Miss McLean, librarian of the American Bankers Association, brings up to December 1940 the 1937 edition of "The Bank Library", a selected list of publications. The supplement briefly discusses many pamphlets, reference books, periodical and government publications.

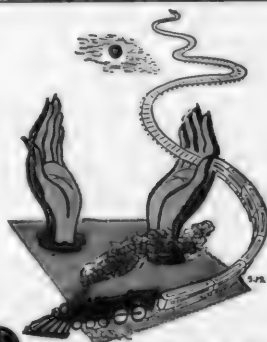
April 1941

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The Question of Personal Surety

(CONTINUED FROM PAGE 47)

dorser on notes for any other person but usually they are silent as to whether or not the borrower is acting as a personal surety.

It would seem almost as necessary for the loan officer of the bank to know whether a borrower is obligated on a personal surety bond and the amount of his liability as to know the amount of his obligation as endorser on notes. Unquestionably an individual who signs as personal surety has created a contingent liability which may seriously affect his financial condition and about which his bank is entitled to have full information.

The Illinois Bankers Association sent a warning message in their general bulletin to all of its members against bank officers and directors of Illinois banks signing personal suretyship for public officials. The following is an extract therefrom:

"In many instances throughout the state, custodians of public funds, particularly school treasurers, are asking officers and directors of banks to assume personal suretyship in order that they can qualify for their offices. Under the laws of Illinois it is not necessary for any individual to assume that responsibility for any public official.

"Illinois laws provide that corporate sureties may be secured and the cost of the bond charged against the funds which are protected. For years the Illinois Bankers Association, through the recommendation of its committees, has urged the bankers in the state not to assume this personal liability and because of that urging, the legislative committee several years ago sponsored a bill in the legislature to make it possible for such surety bonds to be paid for out of the funds in the treasury of the governing board which required the surety bond. The General Assembly upon receiving this measure, agreed that it was contrary to public policy for individuals to take over such responsibilities and thereupon passed the bill which has become a law. Under these circumstances bankers are urged to refer all requests for personal surety to corporations whose business it is to provide such security for a reasonably modest premium."

In view of the very definite action taken by the Illinois Bankers Association we suggest that banks generally seek to obtain the following information in their borrower's application forms:

1. Whether applicant is obligated as surety on any personal surety bond.
2. Amount of such bond.
3. Whether such liability has been legally terminated.
4. Whether applicant has signed any indemnity agreement in connection with an application of any other person for suretyship,

the amount of the bond covered by such indemnity.

5. Whether the liability has been legally terminated.

This subject is one which we believe is worthy of the careful attention of all bankers.

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**NATIONAL CONSUMER CREDIT CONFERENCE—BANKS' DEFENSE LENDING
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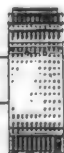
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How was that again? "... the best selling job, not the worst"? It sounds like mutiny on the good ship Service Charge. Yo ho and a bottle of cost analysis. Now let me ask you one. Where have you been? Don't you know that most banks now charge for their various services and this takes care of everything very nicely?

The panel for this occasion consists of one other individual, George McSweeney of Minneapolis, San Francisco, New York, New Orleans, and points between.

"**T**HAT's just the trouble," said George. "Charging is not enough. You've got to sell the stuff. You've got to get people to buy what you have to sell."

Now just a minute, George. I can show you some of the finest bank ads and promotional material you could wish to see—I can introduce you to some sellers of bank services who would make you stand in line.

"Okay and all right," said my panel, "but there aren't enough of them, not nearly enough. Let me tell you something."

Go right ahead and let's hope there are lots of people listening.

"The only thing wrong with the banking system today is that it doesn't realize how good it is. I've always marveled at the accuracy and the ease with which it handles the flow of credit across the country. I think that banks are far more efficiently operated than the average high type of manufacturing plant and the precision of your routine is a remarkable achievement."

Now, that's more like it.

"—But! Not enough people know what a bank has to sell. The first step in building larger sales staffs is to develop more sales-conscious people in the banks. Out of the available group of employees exceeding 250,000 there should be no trouble at all getting the talent to do a bang-up job."

You realize, of course, that this is more easily said than done. It takes time.

"**I**t takes more than that. Besides, most of the burden must fall on the senior officers. The sales tempo in any bank depends on the senior bankers' willingness to accept the proposition that *retail banking needs more salesmen*. The seniors will be pleasantly surprised to find so much good timber among the juniors."

Retail banking? Now, do you mean like—?

"Exactly," answered the panel. "No difference at all. In recent years packages have taken on marvelous shapes, colors and designs, which are larger, like nine golf clubs instead of one, six bottles of Coca-Cola instead of one, three stockings instead of a pair—or smaller, like five pounds of flour instead of a barrel, or a 5 cent bar of candy instead of a pound; whatever it is the thing must be wrapped up in a manner acceptable to the public."

THAT still doesn't answer the question.

"I'm coming to it. The smaller credit package today has forced banks into the retail business. Old sources of income have disappeared. Interest rates may rise but nobody knows when. The point is that banking, like industry, must package its product to meet the needs of the market, price it right and sell it vigorously."

Fine. Let's have an example.

"Suppose a depositor said to you tomorrow, 'Well, you won't see me around much longer. I'm being transferred to Milwaukee.' What would be the first thing to flash through your mind? You would be sorry to see him leave. You'd regret the loss of his business. But would you think immediately of the fellow who might be coming to replace him? Would you think about the time of his arrival, the size of his family, the type of house he would live in and the type of banking service he would require? You would, if you were a sales-conscious banker."



WITH that, let's turn the discussion over to Edgar Guest, who once had this to say about sales appeal:

"The reason people pass one door
To patronize another store
Is not because the busier place
Has better silks or gloves or lace;
It largely lies
In pleasant words and smiling eyes;
The true trade magnet, I believe,
Is just the treatment folks receive."

How Bankers Aid Land Planning

F. D. FARRELL

Dr. FARRELL, as president of the Kansas State College of Agriculture and as a member of the Advisory Council of the Agricultural Commission of the A. B. A., has provided invaluable leadership in the Kansas land-use planning program.

MAIN STREET in a rural town or village is but a continuation of the country road. Along Main Street are located the banks that exist as a result of their service to agriculture and since the prosperity of the community depends upon the farmer, the local bank that is out of touch with agriculture is out of reach of profits. Farmers are bank directors, and bankers are sometimes farmers. Many of the farms are owned up and down Main Street, sometimes unwillingly, sometimes for security, and occasionally for speculative purposes. Here is both an opportunity and an obligation for the local banker to perform a dual and vital role in the advancement of his community.

Realization of the significance of this relationship has caused state bankers associations in farming regions to have agricultural committees. Under this plan, each county is represented by a key banker, whose responsibility it is to find opportunities for the banks in the county to serve agriculture by promoting worthy agricultural improvements. The intensity and effectiveness of this activity depends upon the alertness of the county key banker.

KANSAS has 105 counties. Every county does not have a county bankers association. Every county, however, has a county key banker appointed by the agricultural committee of the Kansas Bankers Association. Local participation in agricultural improvement varies from distributing hatching eggs to financing permanent enterprises. The Kansas Bankers Association has sponsored a definite agricultural program for many years.

The lime and legume program was one of the most conspicuous. In this cooperative activity some banks purchased lime spreaders and phosphate drills. Others interested their patrons in legumes by circular letters, personal solicitation, and often by loans for financing seeding. Eastern Kansas bankers who financed dairy cattle purchases 15 years ago now find buyers from all parts of the United States coming to their counties.

In 1940 the Kansas bankers published and distributed 8,000 copies of a soil and water conservation leaflet. It was revised for 1941, with a supplement on water conservation. These publications are being distributed to planning committees, 4-H club leaders, vocational agriculture teachers, county agents, and banks.

Key bankers in 1939 assisted in the organization of county poultry committees to develop permanent poultry programs and secure participation in the World Poultry Congress at Cleveland.

The Kansas Bankers Association was the sponsor of farm management associations at the beginning of the program in 1929 and still actively support them.

This association has cooperated in the state 4-H program for many years and its appropriation at present amounts to \$800. This is used to promote those necessary and splendid phases of club work for which public funds cannot be used.

THE latest agricultural activity claiming the attention of county key bankers is land-use planning.

Bankers can assist farmer committees in determining land-use capabilities. The banker knows the ownership history of many farms, and has practical ideas about rural problems. Selfishly, land-use planning will enable banks to make safer loans. County planning locates the bright spots as well as the sore spots in agriculture. The banker has a personal interest in land-use planning if he is to maintain his position as the guardian of the prosperity of his community. Every year Kansas agriculture produces 400 million dollars of new wealth.

On the subject of land-planning, M. A. Limbocker, president, The Citizens National Bank, Emporia, Kansas, recently said:

"As bankers, we may be in doubt as to the value of all heretofore proposed remedies to assist farmers; but there is, at least, one set-up now to which all bankers can heartily subscribe and one that should prove of benefit both to the farmer and banker — the cooperative land-use planning program. Such a program has a direct and sensible bearing upon rural credit. By the furtherance of such a program the farmer obtains a correct survey of his own business and the banker receives information that should justify him in extending a much increased line of rural credit.

"Land-use planning is a cooperative undertaking of farmers, research specialists, technical personnel, farm societies and college extension departments, and one in which the banker can well take an active part.

"These land-use planning committees take an inventory of the county resources—its soil, water, grass, forests, et cetera, its population groupings, and its social and economic structure. At the same time, an analysis is made of prevailing conditions and situations to determine the problem facing the people of the county, deciding which adjustment measures will contribute to the stabilization and security of agriculture.

"We know that agricultural loans, except those on livestock that are being fed for market, are not very liquid; and, to benefit a farmer, the banker must entertain loans of longer duration if he is going to be of assistance.

"To justify this, the banker must have just such information as can be obtained under the land-use planning program."

PICTURE LOG—Eastern Regional Conference



WIDE WORLD

TWELVE STATES were represented by nearly 1,200 bankers at the American Bankers Association Eastern Regional Conference on Savings and Commercial Banking at the Waldorf-Astoria, New York, on March 5-7.

LEADERS—left to right, Roy R. Marquardt, president, Savings Division of the A.B.A., and vice-president, First National Bank of Chicago; A.B.A. President P. D. Houston, who is board chairman of American National Bank, Nashville; Stuart C. Frazier, vice-president, A.B.A. Savings Division and vice-president, Washington Mutual Savings Bank of Seattle; and Philip A. Benson, past President of the A.B.A., and president, The Dime Savings Bank of Brooklyn



PUBLIC RELATIONS—Above, left, Samuel N. Pickard, speaking, William T. Wilson, seated, chairman and director, respectively, of the A.B.A. Public Relations Council; **DEFENSE LOANS**—J. Harvie Wilkinson, Jr., chairman, A.B.A. National Defense Loans Committee and vice-president, State-Planters Bank and Trust Co., Richmond, speaking; seated, left to right, E. S. Chappellear, David C. Barry and Broderick Haskell



Left to right across page, round table leaders—**DEFENSE PROGRAM AND MORTGAGE LOANS**—Myron F. Converse; **CONSUMER CREDIT**—H. Douglas Davis and Walter B. French; **SCHOOL SAVINGS**, E. M. Van Lone



Below, left, **ECONOMICS ROUND TABLE**—seated, left to right, Professors Willard E. Atkins, A. Anton Friedrich, Montfort Jones and Dr. William A. Irwin; Dr. Harold Stonier, speaking; **LUNCHEON**—head table—right, left to right, Mr. Marquardt, Mr. Benson; W. Randolph Burgess, president, New York State Bankers Association and vice-chairman, National City Bank of New York, the main speaker; Allan Sproul, president, Federal Reserve Bank of New York, guest of honor; Mr. Houston, Dr. Stonier, William A. White, and Percy H. Johnston



J. WRAY KERR PHOTOS

Educational Displays . . . Banker-Suppliers Lunch . . . Ohio A.I.B. . .



EDUCATIONAL DISPLAYS—bankers attending the March Regional Conference in New York found plenty of profitable ideas. Interesting examples, left and right

Below, BANKERS-SUPPLIERS LUNCHEON at the Waldorf-Astoria preceding the Regional Conference. See page 92



EARLY BIRDS—below, left, J. W. Healey and R. L. Middlemas, right, of Leominster, Massachusetts



STATE-WIDE MEET—below, Ohio A.I.B. members who attended a meeting in Columbus during the mid-Winter meeting of the Ohio Bankers Association. See page 20 of the April Bulletin



Louisville Regional Conference . . . A.B.A. Staff . . . Agricultural Meet



CANFIELD & SHOOK, INC.

LOUISVILLE, KY.—The A.B.A. Regional Conference was being held just as BANKING went to press, consequently no pictures of the sessions were available. *Above*, air view of the business section of the conference city



CONTINENTAL BY R. M. G., INC.

CONFERENCE CHAIRMAN—Merle E. Robertson, president, Liberty National Bank and Trust Company, Louisville, was general committee chairman of the regional conference

AGRICULTURAL CONFERENCE—*below*, bankers attending the Colorado Bankers Association agricultural conference at Fort Collins inspect a lamb feeding lot



KERN

A.B.A. STAFF—Consumer Credit Department Director W. B. French, *standing*, explains the functions of his division in one of a series of A.B.A. staff conferences

Customer Relations . . . Rochester and Winston-Salem Annual Banquets . . .



CUSTOMER RELATIONS—above, bankers from San Mateo, Santa Clara, San Benito, Monterey and Santa Cruz counties, California, at Watsonville to hear William Powers, A.B.A. Director of Customer Relations



A. L. BROWN

ROCHESTER (N. Y.) CHAPTER, above, celebrates its 36th annual banquet. Frank M. Totton, vice-president, Chase National Bank, New York, was main speaker and National President J. L. Dart was guest of honor

WINSTON-SALEM CHAPTER held its banquet on March 8. Below, left to right, Mayor J. R. Fain, who is president of City National Bank; National Educational Director William A. Irwin, speaker; and Chapter President Robert L. Heckard



SAM HOOD

A Farm Credit School

HAROLD J. MARSHALL

MR. MARSHALL is secretary of the New York State Bankers Association.

WE were and we still are up against a problem, a tough problem. Perhaps the best way to describe it is to state it in its simplest terms, bluntly. Over the past several years our member banks in the rural areas of New York State have been yielding too large a share of good, lucrative, short-term farm credit business to non-bank suppliers of credit. Why? The farmers in our state use an estimated \$125,000,000 of short-term credit annually, but farm loans by commercial banks have been running around an aggregate of \$31,300,000 annually. Why? Why do the good risk business farmers no longer search out their commercial banks for credit? Why have the production credit associations and other Government-sponsored agricultural agencies been able to run up such an impressive volume of loans in recent years? Why do so many farmers continue to finance their purchases through dealers and merchants. Why?

That was the problem and those were the questions this association's Committee on Agriculture made an effort to face squarely and boldly several months ago, and with a determination to "do something". The members conferred long among themselves, with other bankers, with farmers, with representatives of agricultural credit agencies and with experts on farm economics at the New York State College of Agriculture.

The remedy almost suggested itself. It was decided to pioneer in a little educational project, to sponsor a "Farm Credit School". Its purpose was to be two-fold:

first, to offer to all commercial bankers in the state and to anyone else interested an opportunity to acquaint themselves with the fundamentals underlying agricultural financing, and, second, to give them an opportunity to discuss contemporary farm credit problems with others directly involved.

To these ends a curriculum of lectures was devised, and, with the cooperation of the New York State College of Agriculture, it was arranged to have these lectures delivered at a two-day seminar at the college in Ithaca, New York, on March 10 and 11. The curriculum was unique in many respects, but chiefly in the breadth and scope of the subjects it embraced. There were addresses by farm bankers, by business farmers direct from the soil and the dairies, by representatives of competing agricultural credit agencies, by a dealer and a merchant, by the best agricultural professorial talent available, and—by no means the least important—by a farmer's wife.

There was no way of determining ahead how much appeal, if any, the project would stimulate among our farm bankers. The idea was new, its proposed execution pretty bold. But any fears which had been entertained along those lines were quickly dispelled when 200 bankers from all parts of the state enrolled the first day—a day featured by a very heavy snowstorm.

All the lecturers "went to town". They seized on every opportunity to thunder their complaints against the way commercial bankers have been handling their farm credit business. No punches were pulled; spades were called spades. There was no pampering. Bankers

BANK-FARM LEADERS—left to right, Mr. Marshall; A. G. Brown, Deputy Manager, A.B.A. Farm Credit Department; E. B. Guild, chairman, New York Association's Committee on Agriculture; E. H. Thomson, president, Federal Land Bank, Springfield, Mass.; Dr. W. I. Myers, head of the Agricultural College's Department of Agricultural Economics and Farm Management; D. H. Otis, Director, A.B.A. Agricultural Commission; Otis A. Thompson, president, National Bank & Trust Co., Norwich; R. Tyler Space, acting state director, Farm Security Administration; and W. Randolph Burgess, president of New York State Bankers Association and vice-chairman, National City Bank of New York





**LAND CLASS AND LABOR IN
SOUTHERN NEW YORK FARMS, 1907-**

| LAND CLASS | LABOR INC |
|------------|-----------|
| I | \$112 |
| II | 155 |
| III | 204 |
| IV | 356 |
| V | 552 |
| VI | 1285 |

FARMER-PROFESSOR—left, above, Earl Clark, farmer of Norwich, who discussed credit needs of the farmer; right, Dr. Van B. Hart, Farm Management Professor, New York State College of Agriculture, who analyzed factors affecting farm incomes

heard themselves accused of being lacking in imagination, of failing to keep abreast of swiftly changing conditions.

They also heard many helpful and constructive suggestions for future action. Farm credit originates on the farm, they were told, and the farm is the place to look for it. They were urged to visit farmers, to get out in the field and in the barns, to listen to the things farmers can't write down on their loan applications—things which have a vital bearing on his ability to repay a loan. Advertise, they were told. If they can offer a service on a more advantageous basis than any other supplier of credit they should say so—loudly. Perhaps it would be a good idea, too, it was suggested, if the bankers revised their lending philosophy a little, at least to the extent of having it include a consideration not only of the question, "Is this a good loan for my bank to make?" but also, "In making this loan will I be helping the farmer to help himself?"

To permit the attending bankers to participate

directly in the proceedings questions were invited from the floor after each lecture. One whole session was devoted to the asking and answering of questions. The questions were submitted anonymously in writing to a panel of "experts" on banking and economic topics.

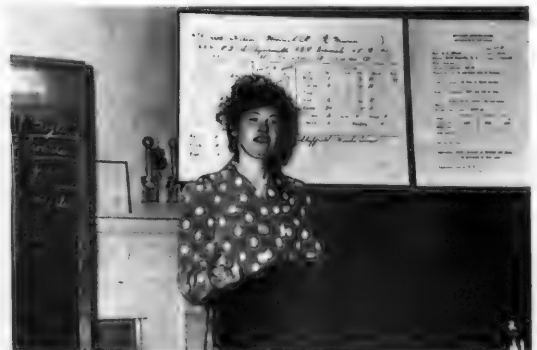
It was apparent long before its end that the "school" was a great success. Through it a problem had been faced, its components broken down, its remedy prescribed in practical terms. Every banker felt he had learned something he can put to good use in building up his farm loan portfolio. Among the most gratifying tributes paid to the project was the suggestion that it be adopted as one of this association's regular annual functions. Some suggested that the association sponsor quarterly seminars on contemporary agricultural credit problems. Whatever the future course of action may be,

this pioneering effort stands as a splendid, practical demonstration of what commercial bankers in rural areas can do to keep themselves alert to all opportunities to be of service to their farm customers.



Dr. Myers, who spoke on the agricultural credit situation in New York State

SPEAKING FROM EXPERIENCE, below, left, George Stebbins, treasurer, Federal Intermediate Credit Bank, Springfield, Mass., and Nicholas Jamba, manager, Agricultural Department, National Bank & Trust Company, Norwich, discussed specific farm credit cases; right, Mrs. E. B. Bickford, Solon, New York, spoke on farm credit problems as seen by a woman



ORGANIZATIONS AFIELD

JOHN J. McCANN reports on activities of national, state and local bankers' organizations.

Meeting Technique

WISCONSIN BANKERS ASSOCIATION reports a welcome change in the procedure of conducting regional group meetings. Instead of the customary speech by one or another association executive, several officers form a panel and are quizzed by a member of the executive council or by the group chairman. This technique was introduced recently at the annual meeting of Group I at Eau Claire on the general theme "Association Policies and Activities." Although the script was hastily prepared in time for only one rehearsal, the panel discussion held interest for an hour and twenty minutes. Group members enthusiastically voted this type of meeting the most constructive yet devised.

Will Competition



SENIOR LAW students of five Georgia universities are competing for cash awards in a will contest sponsored by the four Atlanta clearinghouse banks. Documents will be rated on the basis of comprehensive

handling of the hypothetical case prepared by the clearinghouse trust committee. Thirty-five dollars has been allocated to each school as prizes to be distributed in whatever manner the respective deans decide. The jury of awards will be composed of one trust officer from each member bank.

Savings Bank Life

THE SAVINGS BANK life insurance bill, approved last month by the Connecticut senate banks committee, marks a new milestone of mutual bank expansion in this field. The program in major respects resembles both the Massachusetts and New York applications. Issuing banks will be required to raise a "special surplus advance fund" through sale of \$10 par value certificates bearing not more than 4 per cent interest, to be retired after earnings reach \$10,000 and then only with the approval of the insurance commissioner. Policies would be limited to \$1,000 with a total \$3,000 insurance to any one individual. Annuities could be issued up to \$200 a year. Banks entering the field would be required to contribute to the guarantee fund 4 per cent of premiums until \$100,000 is thus accumulated.

Clinic

THE MORTGAGE BANKERS ASSOCIATION of America holds an April clinic for representatives from Ohio, Illinois, Indiana, Kentucky, West Virginia and Pennsylvania. Some 200 associates of insurance concerns, banks and loan agencies will meet at Cincinnati to dis-

cuss five pertinent questions on mortgage activities. Main bone of contention is expected to be on the question as to whether the FHA should permit 80 and 90 per cent loans on old homes as well as new as a means of preserving established neighborhoods and preventing further deterioration in older localities.

Speakers Bureau

A. F. RATHERT, chairman of the speakers bureau, committee on education and public relations, ILLINOIS BANKERS ASSOCIATION, has completed a state-wide contact with high schools and civic groups. The plan for the ensuing year is to provide a series of banking talks by volunteer local members to all Illinois high schools.

Safe Deposit

THE OKLAHOMA SAFE DEPOSIT ASSOCIATION has drafted a new uniform rental contract for the adoption of members of the Oklahoma Bankers Association. This form clearly outlines the obligations and liabilities of both parties in 14 specific points. Among other things, it provides for the continuance of the contract in the event the renter fails to return his keys on or before the date of expiration, and for direct charges against the renter's account for overdue rental fees and all expenses involved in changing locks, key replacements, etc. The objective of the association is first to encourage the general use of a paper contract and, second, to provide uniform rules and regulations throughout the state.

Insurance Forum

WHEN THE BANKERS INSURANCE FORUM was organized in September 1939, it was decided that the group would function upon the advice of rotating committees which would prepare programs with an educational theme and with the motive of suggesting corrective legislation and cooperation with rating companies. In New York State, the Forum has been responsible for the elimination of certain inequalities in the real property law pertaining to fire insurance. The principal topic of discussion this year will be casualty coverage.

Jubilee



AT EXCELSIOR SPRINGS, May 12-14, the MISSOURI BANKERS ASSOCIATION, organized at Lebanon in 1891 with 82 charter members, will celebrate the close of a half century of service to the state's membership. Arrangements for an unusually strong program of addresses, entertainment and special features are well underway. There's also something special afoot for banks rounding out 50 years of continuous service in 1941, and particularly for those "in the harness" for the two score and ten.



A. F. 50210

Bankers, bank equipment and supply manufacturer representatives and A.B.A. staff members attending conference at the Waldorf-Astoria

Aids to Broader Bank Service

Mr. BERGER, treasurer of the Norristown-Penn Trust Company of Norristown, Pennsylvania, was chairman of the meetings of which he writes.

To the Editor of **BANKING**:

WHEN we discussed, in August 1939, the tentative plan to have a meeting of the representatives of the manufacturers of bank supplies and services, we felt that there was a mutuality of interests between them, **BANKING**, and the banks and bankers throughout the country.

At a two-day meeting held just before the Eastern Regional Conference in March 1940, these representatives gave freely of their experience in making recommendations which were useful to **BANKING** in its editorial policies. Their recommendations also were invaluable in connection with the issuance of the customer relations series "Building Business for your Bank".

This year a one-day meeting was scheduled. At that meeting A. G. Brown discussed the outline for the activities of his Department of Agricultural Credit. Dr. Ernest M. Fisher discussed in detail the manner in which his department is seeking to provide for improved mortgage and real estate financing. Walter B. French set forth in detail the manner in which his department is assisting banks along consumer credit lines.

William Powers, Director of Customer Relations, outlined the manner in which his department is assisting in making effective their efforts to keep the members of their banking staffs informed.

Dr. Paul Cadman also spoke briefly with regard to the

work he has been doing as Economist of the Association.

After each of these departmental discussions, the members of the group took ample advantage of the opportunity to ask questions.

Then, following the rule which was agreed upon at the original meeting in 1940, all members of the A.B.A. staff and of **BANKING** retired, leaving the bank service representatives free to discuss more freely the subject material to which they had listened.

In our discussion we also considered the question of mutuality of interests. I believe the representatives present readily agreed that not only was the work in the fields which were discussed assisting in broadening bank service and, therefore, aiding and enlarging the market for their products, but that these representatives and their firms had a broader mutual interest with privately owned but publicly chartered and supervised banking. They readily realized that whatever assistance they could give to banks and banking in perfecting bank services to the general public would be of definite and continuing value in the successful maintenance of our present banking system to which the Association, by vote of its convention, is continually pledged, and on which the market for much of their product depends.

I believe it only fair to report to you that the representatives who attended felt that we had had another successful meeting. When I have had the opportunity to review the stenotype notes of the meeting, I will report further.

Sincerely yours,

G. FRED BERGER

BANKING

A Certified Real Estate Mart

BANKERS attending the A.B.A. Eastern Regional Conference on Savings and Commercial Banking listened with great interest to an account of the Certified Real Estate Mart which lending institutions in and near Springfield, Massachusetts, are now operating.

On the theory that the sale of used properties is a matter of merchandising, the mart provides a means for establishing fair market values—certified by experts—in which prospective buyers will have confidence.

This unusual organization had its origin at a real estate clinic in Springfield last November, conducted by Dr. Ernest M. Fisher, Director of Research in Mortgage and Real Estate Finance, American Bankers Association. Representatives of 20 savings banks attended and participated in the preliminary discussion of plans for a cooperative effort to sell "other real estate", putting the used building before the public in somewhat the same manner as the automobile industry has handled the used car. At the New York conference Alfred H. Hastings, president of the Springfield Institution for Savings and chairman of the mart's governing board, described the new organization, paying tribute to Dr. Fisher's contribution toward it.

IN BRIEF, this association of institutions owning real estate is based on the premise that merchandise offered for sale must be right, that the price must be right, and that the purchaser must be convinced both merchandise and price are right.

The plan provides that the mart shall be—

"... a non-profit organization whose purpose will be to assist in the marketing of real estate owned by mortgage lending institutions. Its principal function will be, through competent and disinterested experts, to establish sales prices for properties listed with it, which prices shall be fair to both purchaser and seller, and to advertise such properties for sale at the prices so established. It shall receive no commissions for sales effected by it, but shall collect dues and listing fees to be expended solely for the promotion of the objects of the association."



Mr. Hastings speaking at New York

April 1941

Certificate

To
CERTIFIED REAL ESTATE MART
An Association of Institutions Owning Real Estate in Springfield and Vicinity
By
ITS BOARD OF CERTIFIERS

This is to certify that the property at...

has been examined by the undersigned Board of Certifiers. This board consists of a builder, an architect and three men actively engaged as brokers or appraisers in dealing with real estate in Springfield and vicinity. As a result of our personal examination of the property and after considering the condition and architecture of the buildings and the location of the property, we hereby certify to the Certified Real Estate Mart that in our considered and unanimous opinion, the fair market value of this property on this day is...

\$

Date

This is the text of the certificate of "fair market value" issued by the mart's Board of Certifiers. Surrounding the text is a decorative border

The mart's board of expert certifiers is composed of three realtors, a builder and an architect. These five men inspect each listed property and make independent valuations. They are unpaid, except for a fixed appraisal fee. They do not enter into a sale; theirs, rather, is the extremely important function of winning the confidence of the buyer by certifying values.

As a matter of fact, neither the architect nor the builder is concerned with price. The builder inspects a property to see if the merchandise is right, while the architect looks for possible changes which might improve the property.

The certifiers' functions are thus defined in the official plan of operation:

It shall be the duty of the board of certifiers to inspect each property submitted for that purpose by a member of the mart and to issue a certificate establishing a fair sales price for each such property together with a report as to the architectural quality and general physical condition thereof. If, upon inspection, it is found that reasonable architectural changes or physical improvements seem desirable, it shall be the duty of the board to recommend such changes and to establish the sales price which would become effective on the completion of such changes, if made.

The charter members of the association are Massachusetts mutual savings banks but now any "recognized mortgage lending institution owning real estate located in Greater Springfield..." may be accepted for membership by a majority vote of the board of governors." The dues are \$10 a year.

Any member who pays a prescribed fee may submit for appraisal and report any property it owns within the area of Greater Springfield. When the certifiers have reported on the property the member notifies the mart's governors whether it elects to accept the valuation and list the property for sale through the organization. If the decision is affirmative the member pays the listing fee and the parcel is listed. It must remain listed for at least 60 days unless sold. If it is not sold in that time, extension of the listing may be obtained.

The owner is unrestricted as to terms of sale, but may not sell for less than the certified price.

If the board of certifiers is unable to certify a property, the member may apply to the governors for a review of the negative report.

The A.B.A. Washington Office . . .



D. J. Needham, *above*, heads the A.B.A. Legal Department in Washington. Prior to joining the Association as General Counsel in 1933, Mr. Needham was counsel for the Central National Bank, Cleveland, Ohio. He is assisted in Washington by Assistant General Counsel J. Olney Brott

THE Office of the General Counsel of the American Bankers Association in Washington has been the scene of great activity during the last several months as the result of the almost continuous sessions of Congress, necessitating constant attention to pending and suggested legislation affecting banking; the growing competition of government lending agencies with chartered banking; and the supreme effort being made by the banks to aid in national defense through loans and the dissemination of information to industry.

The Washington legal staff daily examines and analyzes new bills introduced in Congress and the rulings of the Comptroller of the Currency, the Treasury Department, and of other bureaus. It also follows the action of Congressional committees and otherwise assists the Committee on Federal Legislation.

Right, Mr. Brott and Mrs. Ethel E. Phillips of the secretarial staff



This office assists banks in preparing for hearings before government agencies. *Left*, left to right, Miss Thelma Boes, Mr. Needham, Harold V. Amberg, vice-president, First National Bank, Chicago, in Washington on business, and Mr. Brott



A completely equipped office is available for the use of visiting bankers, as well as stenographic services. *Below, left*, the out-of-town bankers' office; *right*, two secretarial workers, Miss Boes, *left*, and Miss Lois Brown



PHOTOS BY HARRIS & EWING
BANKING



The Bureau of Internal Revenue recently granted a hearing to a group of bankers who protested against the Bureau's ruling that bank directors are employees under the Social Security Act. Those attending were, *above*, seated, *left to right*, J. H. Hogan, president, Kerrick (Minn.) State Bank; H. C. Emens, cashier, First National Bank, Cairo, N. Y.; R. G. Amling, vice-president, National Bank of Lanark, Ill.; J. H. Boesch, Jr., cashier, Bank of Hyde Park, New Hyde Park, N. Y.; H. J. Marshall, secretary, New York State Bankers Association; and Thomas Motlow, president, Farmers Bank, Lynchburg, Tenn.; *standing*, Mr. Brott and Mr. Needham



Bulletins pertaining to new and proposed legislation and communications concerning rulings, regulations, et cetera, of government departments, are sent periodically to state secretaries. *Above, left*, library; *right*, telephone and file room

The office of General Counsel is frequently asked to keep in touch with the individual problems of banks pending before various government agencies and to arrange conferences with bureau chiefs. *Right*, Mr. Brott and Mr. Needham conferring with Ord Preston, president, Union Trust Company, and A. M. McLachlen, vice-president, McLachlen Banking Corporation, both of Washington



PHOTOS BY HARRIS & EWING

Kansas A.I.B. Study Groups

KANSAS boasts of so many outstanding accomplishments—for instance, banks that weathered the depression better than those of any other state; the greatest per capita wealth of any state; and the largest percentage of college students for each 1,000 of population—that it is small wonder the educational activities of the American Institute of Banking Section of the American Bankers Association have had a high degree of success in the Sunflower State.

The trend has been toward the organization of study groups in preference to chapters, with the Committee on Banking Education of the Kansas Bankers Association providing the leadership.

The chief difference between a chapter and a study group is that the latter is organized in a locality where a chapter cannot be formed because of a lack of numbers, 50 potential members being the minimum for a chapter.

Study groups are virtually independent units and have the same rights and privileges as chapters.

From 12 organizations on January 1, 1940, with a class enrolment of 372, to 24 units on January 1, 1941, with students numbering 609, is the Kansas record of expansion. To explain this achievement, it is necessary to explore the mechanics of the sponsoring committees.

ALTHOUGH prior to the Spring of 1940 the Committee on Banking Education of the state association had supervised A.I.B. activities, with reasonably good results, during the Spring the Junior Bankers Conference was authorized as a section of the state association. A half-day session of this group was held during the association's annual convention last May, with 360 juniors, from all parts of the state, participating.

Considering the fact that the framework of the Junior Bankers Conference organization was begun less than a year ago, the results achieved are quite remarkable.

The procedure followed in perfecting the structure of the junior conference was, first, the creation of nine regional groups embracing substantially the same territorial division of the state as the Kansas Bankers Association groups. A junior banker was chosen from each of these regions to serve on the parent body's Committee on Banking Education.

These nine young men are destined to travel widely and to promote the interests of the conference on several fronts, as we shall see.

A second link in the junior conference set-up is a state committee, which is largely a policy-making body. Its membership consists of the same nine young men, plus three executive officers—Maurice L. Breidenthal, Jr., assistant cashier, Security National Bank, Kansas City, Kansas, president; W. Dale Critser, assistant cashier, Fourth National Bank, Wichita, vice-president; and Fred M. Bowman, secretary, Kansas Bankers Association, Topeka, secretary.

Having already won membership on the Committee on Banking Education and on the state committee of the Junior Bankers Conference, these nine junior bank-

Maurice L. Breidenthal, Jr., assistant cashier, Security National Bank, Kansas City, Kansas, is president of the Junior Bankers Conference



ers now find themselves serving in another capacity—as chairmen of their respective conference regional groups.

Each of these units was subdivided and at the present time an aggregate of 66 committeemen are serving in 105 Kansas counties.

On the completion of the state organization, evening meetings were held at central points within each of the main junior conference groups, when plans were laid to interest both the executive and junior bank staffs in setting up new and the revival of inactive study groups. These committeemen have produced gratifying results. In fact, their approach has proved more effective than was that of the original members of the Committee on Banking Education when they supervised this activity.

The net result, although recorded above, is repeated—several new study classes were organized and three or four dormant ones revitalized, increasing the number of units from 12 to 24 and the enrolment from 372 to 609.

ASIDE from the primary objective of creating study groups, at present each of the nine Junior Banker Conference units is conducting other activities, including seminars. These are intended to broaden the interest of the juniors in their banks as well as in their communities.

Another important phase of the work undertaken by the regional groups is the planning of strategy by the juniors in approaching farm groups, such as 4-H club leaders, county agricultural agents and teachers of vocational agricultural training, for the purpose of extending bank credit to the farm youth of Kansas for the purchase of cattle, poultry, and for other productive purposes. In making bank credit available to the younger generation of farmers it is hoped that they will be educated to the use of bank credit facilities.

The Kansas Bankers Association defrays the overhead expenses of the Junior Bankers Conference, such as transportation, hotel, meals, telephone and postage.

No membership fees are assessed against the members of this organization and to the committeemen is left the selection of their own leaders. For example, the group chairmen and vice-chairmen constitute a nominating committee which makes recommendations to the president of the Kansas Bankers Association, who appoints those nominated to serve as state officers.



Consumer Credit Bankers to Confer in St. Louis

195 Big Banks' Defense Loans Top Half Billion

A.B.A. Reports On A Sample Survey

More than \$500,000,000 of commitments for defense loans was reported to the American Bankers Association as outstanding on Dec. 31, 1940, by 195 of the country's larger banks, according to a sampling survey of defense lending activity made by the Association. Questionnaires were sent to the country's 200 largest banks. The 195 institutions replying are in 79 cities.

These banks reported that their commitments outstanding Dec. 31 amounted to \$572,949,466 on loans for defense purposes. In addition, they reported negotiations in progress, "with loan likely to result," on 570 loans totaling \$112,235,733. They further reported that \$247,441,414 of the \$572,949,466 was actually in use by defense goods suppliers on Dec. 31.

"The enlarging flow of defense orders is resulting in a steadily growing number of loans and subsequent surveys will show a substantial increase over these figures," said P. D. Houston, President of the A.B.A., in making this announcement.

The survey indicated that the banks are making the great majority of their defense loans without requiring the assignment of Government contracts as security, although the taking of this assignment is permitted by law. Seventy-five per cent of the loans reported were made without assignment of con-

(Continued on page 100)

Conference Pictures

Nearly 1,200 bankers attended the A.B.A.'s New York regional conference last month. Some pictorial highlights of the meetings will be found on pages 85 and 86.

A.B.A. Conference Apr. 23-25 Features Discussion Sessions for small Groups

A large attendance is expected at the national consumer credit conference being held in St. Louis, Apr. 23-25, by the American Bankers Association.

Kenton R. Cravens, chairman of the Association's Consumer Credit Council and vice-president of the Cleveland Trust Co., has announced the program for the general sessions and group meetings in the Statler Hotel.



View of downtown St. Louis, the consumer credit conference city

Hot Springs Scene of Association's Executive Council Meeting, Apr. 27-30

The Spring Meeting of the Executive Council of the American Bankers Association takes place April 27-30, inclusive, at The Homestead, Hot Springs, Va.

President P. D. Houston is in general charge of this important gathering of the A.B.A. official family.

The Council, which administers the Association's affairs in the interim between sessions of the general convention, will consider matters of importance and interest to the A.B.A., receiving reports on Association activities from officers of the various commissions, councils and committees, and from staff members.

Two "Specials"

Two special trains will be at the disposal of bankers going to

and from Hot Springs. One, serving New York, Philadelphia, Baltimore and Washington, leaves New York at 6:15 P.M. Saturday, Apr. 26, reaching Hot Springs at 7 o'clock the next morning. Starting the return trip at midnight May 1, it reaches New York at noon that day.

The other special is the annual Springtonic, serving Chicago, St. Louis, Indianapolis and Cincinnati. The Chicago section, over the Big Four route, leaves that city at 2 P.M. April 26, while the cars from St. Louis depart at 12:05. The train reaches Hot Springs at 7 A.M. Apr. 27. Returning, the Springtonic leaves at midnight Apr. 30. Special cars will be available for the direct routes to Cincinnati, St. Louis and Chicago.

Speakers at the general sessions include Chester C. Davis, president, First National Bank of St. Louis, who until recently was a member of the Board of Governors, Federal Reserve System; J. J. Schumann, Jr., president, General Motors Acceptance Corporation; Thomas C. Boushall, president, Morris Plan Bank of Virginia; and Charles H. Watts, president, Beneficial Management Corporation, Newark, N.J.

Topics to be discussed during the sessions include state legislation for consumer credit standards, direct financing, operating costs of consumer credit departments, personal loans, interviewing, credit investigation and collection, accounting and operating procedure, automobile loans, and promotion and advertising.

The bankers attending will be divided into small groups for the working sessions of the conference, at which the same subjects will be discussed simultaneously in each group. This procedure is being followed, Mr. Cravens explained, in order that the sessions may be conducted as informally as possible, with a maximum amount of discussion of each topic and ample opportunity for each banker to profit as much as possible from each discussion.

The morning of April 23 will (Continued on page 100)

They're Speaking at St. Louis



W. L. Hemingway



Chester C. Davis



Kenton R. Cravens



W. B. French



E. S. Woolley

Consumer Credit Field Is No Bonanza; Requires Close Study, Highest Standards

H. H. Christensen, member of the Consumer Credit Council, American Bankers Association, points out that once a banker decides to enter the consumer credit field "he should study it as closely as any problem he has ever faced."

"Bankers who approach this subject as something to be taken up reluctantly, or as a bonanza awaiting some easy picking, are badly mistaken," asserts Mr. Christensen, who is assistant vice-president of the American Trust Company, San Francisco. Also mistaken are those "who look upon it with disdain as 'five and dime' business."

"Obviously, the average of loans made to salaried or wage earning individuals is much smaller than working capital loans for business concerns. Nevertheless, bankers must handle them in an ethical manner and gain a complete understanding of the many problems involved in them."

"Individuals seeking financial assistance from banks have

the right to expect that they shall meet with the highest standards of practice; that they shall be given considerate attention and ample opportunity to cite their problems.

"They should be welcomed as desirable customers and made to feel that they have as much justification to seek credit from a bank as has any business concern."

"They should be drawn to banks by appropriate advertising which offers them genuine service and sound advice; not by specious promises of easy credit on sugar coated terms."

"Consumer credit improperly handled gives full force to the expression 'there is no free scholarship to the school of experience.'"

Dr. Ernest M. Fisher, director of Research in Mortgage and Real Estate Finance, A.B.A., is now a vice-president of the American Statistical Association. He was elected at the organization's last convention.

First A.B.A. National Consumer Credit Meeting

The consumer credit conference at St. Louis is the first one to be sponsored on a national basis by the American Bankers Association. The A.B.A. Consumer Credit Department, headed by Walter B. French, was formed early in 1940.

Auto Financing Guide Issued By A.B.A. Section

Retail Time Sale Contracts Covered

A manual designed to guide banks in financing retail automobile purchases through dealers has been issued by the Consumer Credit Department of the American Bankers Association and is being distributed to the Association's membership on the request of individual banks. Walter B. French, A.B.A. Deputy Manager, is in charge of the Department.

The publication is intended to cover the principal considerations, with the exception of accounting problems, that banks must make in purchasing retail instalment sales contracts from automobile dealers.

The manual is divided into five sections which discuss credit and collateral, collections, filing and recording of instruments, insurance, and automobile dealers and sales plans. It contains 25 illustrations of the legal and bank forms used in this type of consumer financing, together with two tables dealing with rebates and legal filing and recording systems in every state.

"Purchase by banks of retail instalment sales contracts from automobile dealers on a non-recourse basis is a specialized banking activity," the manual states. "While the material presented in this manual is far from complete, it represents an endeavor to acquaint banks with some of

the basic principles involved in such an undertaking."

In the first section, credit applicants, investigations, new and used car financing and the grading of an applicant's credit are discussed. The second section deals with 30 phases of collection procedure, ranging from specific collection policies to extensions, repossessions, and disposal of repossessed cars.

The manual's third section points out that laws covering recording and filing differ in each of the states. A comprehensive table is presented showing documents to be filed, the duration of the legal effectiveness of the filing, costs and fees, and legal officers with whom documents must be filed in each state.

Insurance Section

In its fourth section, the manual describes the various types of automobile insurance, evaluates them from the viewpoint of banks that finance automobile purchases, and discusses the settling of insurance claims and losses.

The concluding section sets forth that a bank entering the field of automobile financing has the choice of two policies in getting and handling paper.

"The direct method is in dealing with the consumer; the indirect method is the plan of buying all timesales paper from the dealer," the manual says.

William T. Wilson, director of the A.B.A. Public Relations Council, has been elected second vice-president of New York Financial Advertisers. The president is Dudley L. Parsons, manager of the publicity department of The New York Trust Company.

A.B.A. Gets 395 New Members In First Half Year

Chairman Clark's Committee Busy

The American Bankers Association acquired 395 new members from 38 states in the first six months of the A.B.A. year. This compares with 390 in the corresponding period of 1940.

A Membership Committee report, covering the period from Sept. 1 to Feb. 28, says: "It is pleasing to note that the bulk of the new members has come from states having



Dunlap C. Clark
Membership Committee Chairman

a large number of non-member banks and, in several instances, from states where there was little membership activity during a similar period last year."

Michigan, Chairman Dunlap C. Clark's state, upheld its reputation for outstanding membership records year after year by sending in 23 new members during the period.

The territory under Committeeman Noel Rush—Kentucky, North Carolina, and Tennessee—turned in an even 100 new members. The campaigns in Nebraska, North Dakota and South Dakota, in Committeeman Gordon Nesbit's territory, produced 53.

Alabama, in the territory of W. C. Bowman, was the scene of a drive which gave a substantial boost to the membership percentage through the addition of 41 members. George Heiser's area, including New Jersey, New York, and Pennsylvania, turned in 34 mem-



Roy A. Haines
Mr. Haines, A.B.A. Vice-president for Kansas, and president, Prairie State Bank, Augusta, is an active membership worker

bers, 26 having come as the result of a thorough organization in Pennsylvania. Missouri proved a fertile state during the past four months, with the addition of 27 new members, the total for J. P. Huston's area being 31.

Michigan and Ohio made the best record for February with 12 new applications. In all, 30 new members were obtained in February.

Brott Is Assistant General Counsel

Appointment of J. Olney Brott as Assistant General Counsel of the American Bankers Association has been announced by Dr. Harold Stonier, executive manager.

Mr. Brott has been a member of the A.B.A. staff since early 1934, coming from the Hartford-Connecticut Trust Company in Hartford, Conn. Since 1937 he has been a member of the general counsel's staff at Washington.

Mr. Brott is a graduate of Yale University and the Yale Law School.

9 of A.B.A. Staff Enrolled in A.I.B.

Nine members of the American Bankers Association staff are taking courses offered by New York Chapter, American Institute of Banking.

The students are: John H. Biedenapp, Dorothy Comte, Joseph Fehrenback, Hope Hall, Charles E. Orcutt, Frank E. Schumm, August A. Small, Viola Tuskind and Charles R. Willis.

Graduate School Alumni to Meet

The Fourth Annual Alumni Conference of The Graduate School of Banking takes place Apr. 5 at the Phi Gamma Delta Club in New York. There are to be discussion groups in commercial banking, trusts and investments and savings banking.

The dinner speaker is William A. White, New York State Superintendent of Banks.

Dr. Harold Stonier, Director of the School, is toastmaster.

Trust Men and Attorneys Meet

The National Conference Group, consisting of representatives of the Trust Division of the American Bankers Association and of the American Bar Association, met March 19 in Chicago to consider problems of mutual interest and to develop more effective methods of cooperation between trust men and lawyers in various parts of the country.

The full committee attended the meeting, as follows: Raymond H. Trott, vice-president, Rhode Island Hospital Trust Company, Providence, and Edwin M. Otterbourg, attorney, New York City, co-chairmen, Carl W. Fenninger, vice-president, Provident Trust Company, Philadelphia, and President of the Trust Division; Merle E. Selecman, Trust Division secretary, and Frederick P. Houston, of New York, secretaries of this group.

Also, Merrel P. Callaway, vice-president, Guaranty Trust Company of New York; Robertson Griswold, vice-president, Maryland Trust Company, Baltimore; R. M. Alton, vice-president, The United States National Bank, Portland, Ore.; Carl H. Zeiss, vice-president, Northern Trust Company, Chicago; Henry B. Brennan, Savannah; Tappan Gregory, Chicago; David F. Maxwell, Philadelphia, and Sidney Teiser, Portland, Ore.

Savings Pamphlet Written for Parents

"How to save and manage money intelligently" is the theme of an attractively illustrated folder recently issued by the Savings Division of the American Bankers Association and addressed to the parents of school children. This leaflet is a part of the Division's co-ordinated school savings educational plan.

Quantity orders by banks will result in substantial savings. For example, 25,000 copies can be obtained, complete, with the bank's signature and individualized message on the back page for less than the actual cost of the art work, plates, and type setting.

Allan V. McLoughlin, chairman, School Savings Forum of The Savings Banks Association of the State of New York, in announcing the pamphlet to his members said:

"The public relations value in the school savings activity is not limited to the contact with children. Some school savings depositories which make inquiry in opening all new accounts find that a very large percentage of such accounts come into the bank indirectly through school savings. Many of these accounts are opened by parents, relatives, and friends of school savers.

"The greatest deterrent to properly publicizing our school savings activity has been that of cost. If we embrace this opportunity offered by the Savings Division to buy the folders at the mere cost of paper and printing, it will encourage the Division to produce other material for us in the future."

Wilcox to Be G.S.B. Seminar Speaker

Two seminar lectures on the Washington banking scene as viewed by a news writer in the capital will be a feature of the 1941 resident session of The Graduate School of Banking conducted by the American Bankers Association at Rutgers.

The speaker is U. V. Wilcox, experienced Washington newspaper man and correspondent of The American Banker.

F.A.A. Offers Its Services to Treasury

The Financial Advertisers Association has offered Secretary Morgenthau the benefit of its "experience and facilities" in planning any program the Treasury head may undertake "to acquaint the public with your department's tasks in defense demands."

A telegram to Mr. Morgenthau, signed by Robert J. Izant, the association's president, said the directors had authorized the offer of cooperation, and added: "We have a well formed organization of members in the 48 states whose activities in financial circles may be called upon by you in any national effort. We hold ourselves in readiness as you may command us."

Consumer Credit Conference

(Continued from page 97)

be devoted to registration. At the first session in the afternoon speakers will include W. L. Hemingway, Second Vice-president of the Association, and president of the Mercantile-Commerce Bank and Trust Co., St. Louis; Dr. Harold Stonier, executive manager of the A.B.A.; the mayor of St. Louis; and the president of the city's clearinghouse association. There will also be an opportunity for the bankers to inspect the educational displays of bank equipment.

Here is the remainder of the program, as of BANKING's press time.

Apr. 24, A.M.; general session—"Why Consumer Credit?," Dr. A. D. H. Kaplan, University of Denver; "State Legislation for Consumer Credit Standards," C. P. Peterson, Lincoln, Neb.; "The Outlook for Business," Chester C. Davis.

P.M., group meetings—"Personal Loans, Direct Financing," Carl M. Flora, First Wisconsin National Bank, Milwaukee; L. E. Hurley, W. B. Worthen Co., Little Rock, Ark.; R. A. Prosswimmer, Bank of the Manhattan Co., New York.

"Interviewing, Credit Investigation and Collection," H. F. Koch, Guardian Bank and Savings Co., Cincinnati; C. C. Shively, State Industrial Bank, Columbus; R. B. Umberger, Industrial National Bank, Chicago.

"Costs," C. A. Bimson, Valley National Bank, Phoenix, Ariz.; Otto C. Lorenz, A.B.A. Consumer credit research staff;

Don H. Wageman, American National Bank, Cheyenne, Wyo.

Skit Scheduled

Evening session—"The Economic Outlook," Dr. William A. Irwin, National Educational Director, American Institute of Banking; a consumer credit skit, William Powers, director, customer relations, A.B.A., and St. Louis Chapter, A.I.B.

Apr. 25, A.M., general session—"Nationwide Collection Problems," Frank T. Caldwell, Associated Credit Bureaus, St. Louis; "Serving the Public," Thomas C. Boushall; "What the Other Fellow Has to Say," J. J. Schumann, Jr., and Charles H. Watts.

P.M., group meetings—"Accounting and Operating Procedure," John J. Driscoll, Jr., Philadelphia; George T. Spettigue, and E. S. Woolley, New York.

"Automobile Financing Via Dealer," W. H. Kyle, Cleveland Trust Co., J. R. Hughes, Baltimore.

"Promotion and Advertising," Joseph J. Corcoran, Marine Trust Co., Buffalo; E. F. Longinotti, Union Planters National Bank & Trust Co., Memphis.

Others taking part in the conference, as chairmen of sessions, include Mr. Cravens; Walter B. French, A.B.A. Deputy Manager in charge of the Consumer Credit Department; and John Burgess, member of the Consumer Credit Council, and vice-president, Northwestern National Bank and Trust Co., Minneapolis.

Speech Betterment Aided By A.B.A.'s "Building Business"

An unusual use for the material in the employee training course "Building Business for Your Bank", published by the Public Relations Council of the American Bankers Association, has been found by the Lafayette National Bank of Brooklyn.

The bank's department heads and branch managers prepare three-minute talks based on the unit booklets of the A.B.A. course and record these short speeches on a portable recording machine. The disks are played back so that the speaker's effort can be discussed and criticized at a group meeting.

A. I. Salzman, assistant to President George P. Kennedy, says the method has resulted in an improvement in the speech of every staff man taking the course.

"Inasmuch as we intend every member of this course to conduct similar courses with the employees next year," he asserts, "they will definitely see to it that the speaking voices of our staff people are greatly improved. In fact, we are using this as a sort of laboratory course or workshop to develop future group leaders of courses in 'Building Business.'"

Many bankers are reporting enthusiastically on the success of the course.

Los Angeles Chapter Has 4,307 Members

BANKING received this letter from B. W. McPheeters, chairman of the membership committee, Los Angeles Chapter, American Institute of Banking:

"On page 99 in the February issue you reported the membership of Los Angeles Chapter to be 3,764.

"Because of a misunderstanding the membership figures for Los Angeles Chapter as released by the national office in their January *Bulletin* did not include the group of new members reported on Oct. 11, 1940.

"The correct total for our chapter should be 4,307."

195 Big Banks' Defense Loans

(Continued from page 97)

tracts while only 25 per cent were made with such assignment.

Loans for supplies and equipment accounted for the larger part of the total. The 195 banks reported 821 commitments for plant facilities and other construction totaling \$196,997,728, while they made 1,698 commitments for supplies and equipment totaling \$283,589,691.

In addition, they reported 677 commitments totaling \$92,362,047 in the form of open lines of credit and advances used for capital purposes and capital requirements arising out of expanded operations of customers contributing indirectly to defense.

The loans were made for a great variety of defense goods, the list of the typical bank running considerably over 50 items. These include aircraft hardware, clothing, electrical equipment, diesel engines, furniture, precision instruments, lumber, metals, parachute silk, photograph equipment, pumps, shipyard equipment, trucks and many other things.

In announcing the survey, Mr. Houston stated that it "by no means represents a complete picture of the defense lending of banks, which would require a survey of 15,000 institutions. In order to get a statistical indication of the extent to which banks are financing the defense program, we asked a representative group of banks in the larger industrial centers to give us their defense loan figures."

"Since the banks assembled these figures for us, the enlarged flow of defense orders has resulted in a steadily growing number of loans. Subsequent surveys will show a substantial increase."

Two Trust Meetings

The A.B.A.'s 19th trust conference of the Pacific Coast and Rocky Mountain states meets in Seattle, Aug. 6-8. The 12th Mid-Continent Trust Conference at St. Louis, Nov. 6-7.

28 States Now on A.B.A. Agricultural Commission Honor List

Farmer-Banker Rating Program Sets a New High

Four New States at 1,000-Point Goal

The best record ever attained in the banker-farmer rating program of the Agricultural Commission, American Bankers Association, was made during the past year.

Four new states joined the honor list, bringing to 28 the number that have reached the goal of 1,000 points in the rating schedule set by the Commission. The newcomers are Illinois, Mississippi, Montana and Pennsylvania.

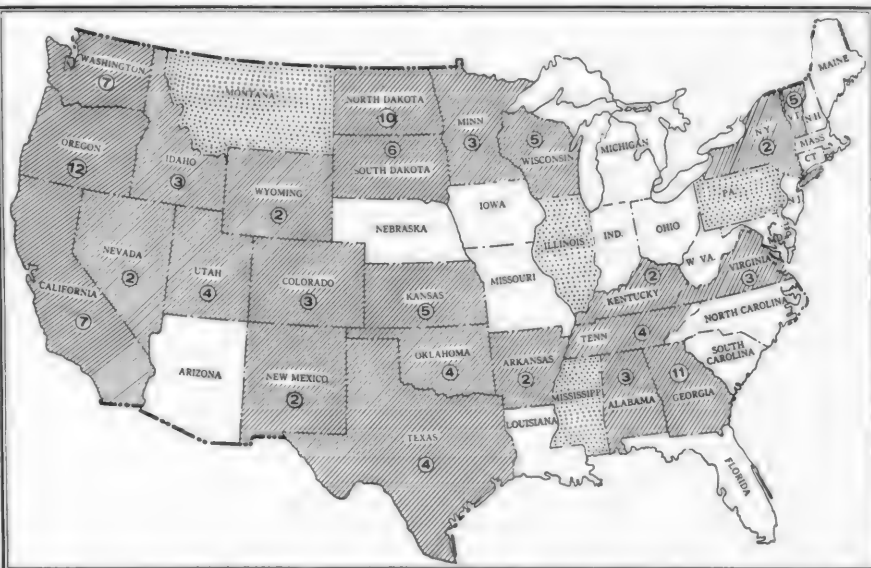
The Commission's rating schedule is regarded as a measuring stick by which the results of bankers' agricultural activities can be gauged.

Here are brief accounts of what the four new honor states have done:

Illinois. In Illinois there is a strong tendency for bankers to consult and cooperate with county extension agents. Bankers have appeared on farm and home makers programs. They have encouraged reforestation, soil conservation, livestock feeding and improved seed. A large number of Illinois bankers are members of the local Farm Bureau and similar organizations.

Mississippi. Mississippi bankers have stressed the live-at-home program — each farm self-sufficient in the production of food and feed crops. Farm wood lots, improved and increased livestock and replacement crops for cotton acres are other projects on which Mississippi bankers have focused attention.

Montana. Montana bankers have been very helpful and cooperative in livestock feeding projects, in the control of insect pests and water conservation projects. Large banker-farmer meetings have been held, and agriculture has had a place on the convention pro-



Honor List—The figures indicate the number of years a state has had the highest rating

grams of the state bankers associations.

Pennsylvania. Dairy herd improvement has been a very important project in Pennsylvania with resulting high-grade, high-producing herds. The "service" ideal has been evident in constructive work with farm youth. Four-H Club teams have staged demonstrations before banker groups. Attention has also been centered on the introduction of lime to increase production of alfalfa and other legumes.

North Dakota wins honors

North Dakota has completed a 10-year honor record and receives special recognition. Only two other states have surpassed this achievement. Oregon now has a 12-year, and Georgia an 11-year perfect record.

The chief development in North Dakota was the transition from one big crop, wheat, to several crops, and the marketing of these crops through livestock.

Fred A. Irish, president, First National Bank and Trust Company of Fargo, has served as chairman of the North Dakota bankers agricultural committee since 1931 and has served as a member of the Agricultural Commission.

Farmer-Banker Score Sheet

Here is an outline of the activities on which states are rated in the Agricultural Commission's farmer-banker program. The figures are the possible point ratings obtainable.

Agricultural Committee Conference (50). Full score allowed when all members of the committee and officers of the state association attend; also representatives of the colleges of agriculture and the Agricultural Commission.

Appointment of County Key Bankers (50). Full score when a key banker has been appointed for each agricultural county.

Definite Projects (500). Full credit when the number of farm people engaged in banker-farmer projects or demonstra-

tions, through bankers' encouragement and cooperation, equals the total number of banks in the state, allowing no more than 5 points per bank.

Special Activities (200). Full score when there is an average of one for each bank, allowing not more than 5 points per bank.

Agricultural Meetings (100). Full credit when there is an average of one registration for each bank.

Financial Support of Agricultural Work (100). Full score when such expenditures by individual banks, state association, group or county associations equals an average of \$5 per bank, crediting no bank with more than \$25.

Field Conferences

Since the middle of January, A. G. Brown, A.B.A. Deputy Manager in charge of agricultural credit, and Dan H. Otis, director of the Agricultural Commission, have attended and taken part in 27 field conferences in 14 states.

The discussions included items relating to agricultural credit, and activities of rural bankers. Attendance was 1,502.

The number of farm people contacted and encouraged by bankers to undertake better farm practices rapidly increases:

| Year | No. of Farm People |
|------|--------------------|
| 1928 | 3,034 |
| 1931 | 9,155 |
| 1934 | 84,352 |
| 1937 | 231,161 |
| 1938 | 377,636 |
| 1939 | 403,418 |
| 1940 | 458,950 |

CALENDAR

April · 1941

| SUN. | MON. | TUE. | WED. | THU. | FRI. | SAT. |
|--|------|------|--|------|------|--|
| | | 1 | 2 | 3 | 4 | 4TH ANNUAL CONF. OF THE GRADUATE SCHOOL OF 5 BANKING ALUMNI, PHI GAMMA DELTA CLUB, N.Y.C. |
| 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 20 | 21 | 22 | NATIONAL CONSUMER CREDIT BANK CONFERENCE. HOTEL STATLER, ST. LOUIS | | | 26 |
| ANNUAL MEETING, EXECUTIVE COUNCIL, THE HOMESTEAD, HOT SPRINGS, VIRGINIA | | | 2ND INSTALMENT UNEMPLOYMENT TAX 30 FED'RAL INSURANCE CONTRIBUTIONS TAX & RETURN | | | |
| 27 | 28 | 29 | | | | |

American Bankers Association

- Apr. 5 Fourth Annual Conference of the Graduate School of Banking Alumni, Phi Gamma Delta Club, New York City
- Apr. 23-25 National Consumer Credit Bank Conference, Hotel Statler, St. Louis
- Apr. 27-30 Annual Meeting, Executive Council, The Homestead, Hot Springs, Virginia
- June 2-6 American Institute of Banking, St. Francis Hotel, San Francisco
- June 16-28 The Graduate School of Banking, Rutgers University, New Brunswick, New Jersey
- Aug. 6-8 19th Regional Trust Conference of the Pacific Coast and Rocky Mountain States, Seattle, Washington
- Sept. 28- Oct. 2 Annual Convention, Hotel Stevens, Chicago
- Nov. 6-7 Twelfth Mid-Continent Trust Conference, St. Louis, Missouri

State Associations

- Apr. 10-12 Florida, Hollywood Beach Hotel, Hollywood
- Apr. 14-15 Louisiana, Baton Rouge
- Apr. 17-18 Georgia, Dempsey Hotel, Macon
- Apr. 18-19 New Mexico, Hidalgo Hotel, Lordsburg
- May 8-9 Oklahoma, Oklahoma City
- May 9-10 North Carolina, Carolina Hotel, Pinehurst
- May 12-14 Missouri, Elms Hotel, Excelsior Springs
- May 14-15 Arkansas, Arlington Hotel, Hot Springs
- May 14-15 Indiana, Claypool Hotel, Indianapolis
- May 15-16 Alabama, Admiral Semmes Hotel, Mobile
- May 15-16 Kansas, Kansas City
- May 19-21 Mississippi, Buena Vista Hotel, Biloxi
- May 21-23 California, The Huntington, Pasadena
- May 21-23 Pennsylvania, Hotel Traymore, Atlantic City
- May 21-23 Texas, Houston

- May 22-24 New Jersey, Atlantic City
- May 22-24 Virginia, John Marshall Hotel, Richmond
- May 25-27 New York State, Buffalo
- May 26-28 Illinois, Palmer House, Chicago
- May 27-28 Maryland, Lord Baltimore Hotel, Baltimore
- May 27-28 Tennessee, The Hermitage, Nashville

Other Organizations

- Apr. 1-2 Wisconsin Bankers Conference, University of Wisconsin, Madison
- Apr. 2-4 Indiana Bankers Educational Conference, University of Indiana, Bloomington
- Apr. 4-5 Maine Bankers Study Conference, Bowdoin College, Brunswick
- Apr. 10-12 Pacific Northwest Bank Conference, Pullman, Washington
- Apr. 18-19 Eastern Regional Conference, The National Association of Bank Auditors and Comptrollers, Parker House, Boston
- Apr. 28- May 1 Annual Meeting of the Chamber of Commerce of the United States, Washington
- May 4-7 Association of Reserve City Bankers, Hotel Hershey, Hershey, Pennsylvania
- May 7-9 National Association of Mutual Savings Banks, The Bellevue-Stratford, Philadelphia
- May 10 Oklahoma American Institute of Banking, Oklahoma City
- May 15-17 Mid-Continent Regional Conference, The National Association of Bank Auditors and Comptrollers, Cleveland
- May 16-17 Second Bank Management Conference, New Hampshire Bankers Association, Amos Tuck School of Business Administration, Dartmouth College, Hanover, New Hampshire
- May 22-24 National Safe Deposit Association, Hotel Statler, Buffalo, N. Y.

THE PENNSYLVANIA RAILROAD

SUMMARY OF ANNUAL REPORT FOR 1940

THE 94th Annual Report of the Pennsylvania Railroad Company covering operations for 1940 will be presented to the stockholders at the annual meeting on April 8, 1941. Operating revenues increased \$46,662,630 or 10.8% over 1939. Operating expenses increased \$31,553,843 or 10.3%. Taxes increased \$3,789,341 or 9.5%. Net income was \$46,238,250 an increase of \$14,205,725. Surplus was \$36,896,665 equal to 5.60% (\$2.80 per share) upon the outstanding Capital Stock (par \$50) as compared with 3.52% (\$1.76 per share) in 1939.

OPERATING RESULTS

| | 1940 | 1939 |
|--|---------------|---------------|
| TOTAL OPERATING REVENUES WERE..... | \$477,593,408 | \$430,930,778 |
| TOTAL OPERATING EXPENSES WERE..... | 338,454,678 | 306,900,835 |
| LEAVING NET REVENUE FROM RAILWAY OPERATIONS OF..... | 139,138,730 | 124,029,943 |
| TAXES AMOUNTED TO..... | 43,885,188 | 40,095,847 |
| HIRE OF EQUIPMENT AND JOINT FACILITY RENTS WERE.. | 8,754,056 | 6,629,768 |
| LEAVING NET RAILWAY OPERATING INCOME OF..... | 86,499,486 | 77,304,328 |
| INCOME FROM INVESTMENTS AND OTHER SOURCES WAS.. | *41,335,655 | 36,864,230 |
| MAKING GROSS INCOME OF..... | 127,835,141 | 114,168,558 |
| FIXED CHARGES, CHIEFLY RENTALS PAID TO LEASED ROADS, AND INTEREST ON THE COMPANY'S DEBT.... | 81,596,891 | 82,136,033 |
| LEAVING NET INCOME OF..... | 46,238,250 | 32,032,525 |
| APPROPRIATIONS TO SINKING AND OTHER FUNDS, ETC.... | 9,341,585 | 8,854,839 |
| SURPLUS..... | 36,896,665 | 23,177,686 |

*Includes dividend of \$5,000,000 in securities received from Pennsylvania Company.

Dividends aggregating 3% (\$1.50 per share) were paid during 1940 compared with 2% (\$1.00 per share) in 1939.

The Management recognizes its responsibility to give the stockholders salient facts relating to the Company's business, service, finances and other important matters and does so through the medium of the press and the annual report. Through the cooperation of the security holders, the public and the employees, your Company is able to give good service, pay good wages, meet its obligations and pay dividends.

M. W. CLEMENT, *President*

THE PENNSYLVANIA RAILROAD

SHIP AND TRAVEL VIA PENNSYLVANIA

*Stockholders can obtain copies of the Annual Report from
J. Taney Willcox, Secretary, Broad Street Station Building, Philadelphia, Pa.*



More than a match for Important Bank Records



Take Cancelled Checks for Instance : One carelessly dropped match could destroy them! It's a fact that 41% of all fires occur during normal business hours—when cancelled checks are unprotected—and employees can't consider records with their lives at stake . . .

But, by remembering your records *before* fire strikes, you can eliminate the hazard of their destruction and add to the efficiency of their handling.

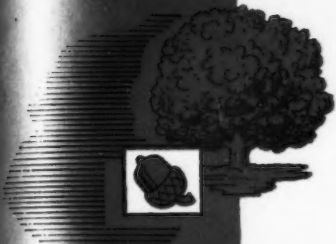
For instance, Remington Rand offers three ways to provide continuous "point of action" security for cancelled checks. (1)

Bookkeepers' Safe-Check Desks alongside of bookkeeping machines, which have a capacity of 45 thousand checks and extension tops for sorting. (2) *Safe-Check Files* (as shown above) for filing checks away from bookkeeping machines. Each unit housing 40 thousand checks. (3) *Safe-Check Files* for filing depositors' statements and cancelled checks at month's end.

All three methods supply clock-around, "point of action" security. You can give *all your bank records* similar "point of action" safety in Remington Rand fire insulated products! Write for free catalog.

BANK DEPARTMENT • Remington Rand Inc. • BUFFALO, NEW YORK

NOISELESS, STANDARD, PORTABLE TYPEWRITERS . . . ADDING, CALCULATING BOOKKEEPING MACHINES . . . PUNCHED-CARD ACCOUNTING AND TABULATING MACHINES . . . KARDEX VISIBLE SYSTEMS, RECORD PROTECTION, FILING METHODS AND EQUIPMENT, LOOSE-LEAF DEVICES . . . PHOTOGRAPHIC RECORDS EQUIPMENT . . . AND OTHER PRECISION PRODUCTS INCLUDING THE FAMOUS REMINGTON DUAL CLOSE-SHAVER DEALERS, SALES AND SERVICE OFFICES IN 517 CITIES

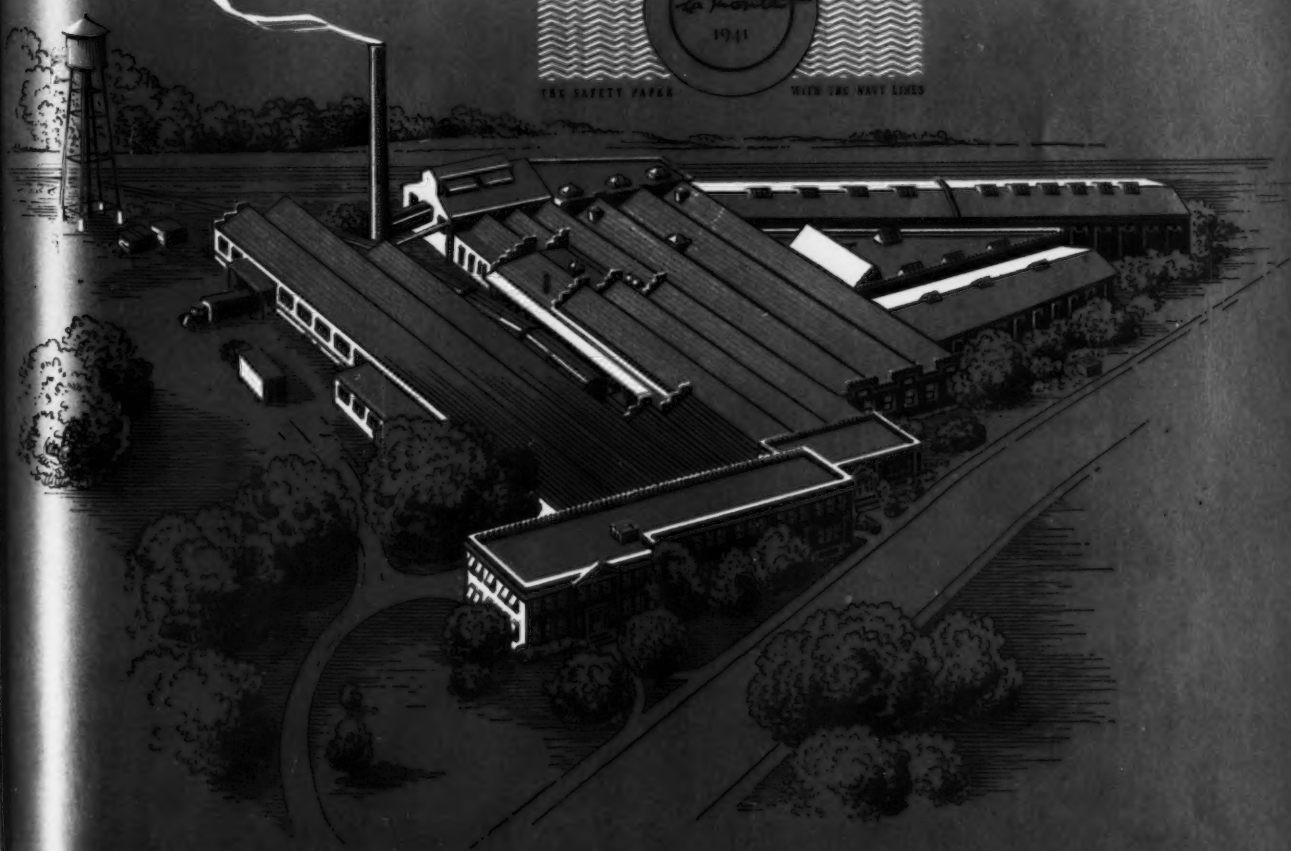


Seventy Years of Check Protection

In 1871 Safety Paper was invented and introduced by George La Monte. At that time "check raising" was a serious menace to the development of the checking system which was to play so important a part in the growth of American Banking.» » Then, and through the intervening years, La Monte Safety Papers have met and overcome the menace of check forgery. They have provided the protection so necessary to the free circulation of checks throughout the nation.» » Through constant research, experimentation, and improvements in formulae and manufacturing methods, La Monte

Safety Papers have kept pace with increasing demands for protection, and have been brought to their present high standards of efficiency.» » Today, La Monte Safety Papers are recognized as "the standard of protection" for checks and other negotiable instruments. They are used and endorsed by business institutions from coast to coast, including more than 75% of the nation's leading banks.» » When you specify La Monte Safety Paper you are selecting a product which was not only the first in the field but which has maintained its leadership over a period of 70 YEARS.» » » »

GEORGE LA MONTE & SON, Nutley, N. J.



70 YEARS OF SERVICE TO AMERICAN BANKING AND INDUSTRY



"There has always been
too much

DIPLOMACY in BUSINESS"

THE advice of a business analyst, like that of a lawyer or physician, must be unprejudiced . . . even brutally frank. Otherwise, it is of little value to the client. Ailing industry doesn't need "yes men."

The George S. May Company has been tremendously successful, not only because of its ability to diagnose the needs of a business intelligently and to apply the proper remedies, but because it has always dared to tell the truth to every client, without fear or favor. May engineers never indulge in personalities. They deal impartially with causes and effects. When they find a situation which needs correction, they report it . . . faithfully, without thought of whose toes may be stepped upon. They

"hew to the line and let the chips fall where they may," whether the criticism hits foreman, superintendent, president or board of directors. Unless the individual officers and the company itself are "big enough" to take constructive criticism, based upon unbiased facts, the May Company cannot benefit them . . . and does not want the job.

The May Company occupies a strong position in both the United States and Canada. It does not have to "play politics" to get business and its recommendations are always frank and direct, without regard to fee or job. The merit of this policy is best proved by the phenomenal growth of this company and its record of accomplishments in hundreds of well-known manufacturing plants.

REFERENCE: Your Own Banker



GEORGE S. MAY COMPANY

CHICAGO
2600 North Shore Ave.

SAN FRANCISCO
111 Sutter Street

HOUSTON
608 Fannin Street

NEW YORK
127 East 42nd Street

CANADA: George S. May, Ltd., 320 Bay St., Toronto
OFFICES IN 15 OTHER PRINCIPAL CITIES

